

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING  
APRIL 23, 2014  
APPLICATION SUMMARY**

NAME OF PROJECT: Crestwyn Behavioral Health

PROJECT NUMBER: CN1310-040

ADDRESS: Unaddressed tract on east side of Crestwyn Hills Drive  
Germantown (Shelby County), TN 38138

LEGAL OWNER: Crestwyn Health Group, LLC  
C/o Acadia Healthcare, 830 Crescent Center Drive, Suite 610  
Franklin (Williamson County), TN 37067

OPERATING ENTITY: N/A

CONTACT PERSON: John Wellborn  
(615-327-0440)

DATE FILED: October 13, 2013

PROJECT COST: \$25,875,862.00

FINANCING: Cash Reserves

REASON FOR FILING: Establishment of a new sixty (60) bed mental health hospital and initiation of inpatient psychiatric and substance abuse services

DESCRIPTION:

Crestwyn Behavioral Health (Crestwyn) is seeking approval for the establishment of a new 60 bed mental health hospital and initiation of inpatient psychiatric and substance abuse services. The proposed mental health hospital will consist of 15 inpatient beds for psychiatric care for adolescents ages 13-17, 15 inpatient beds for adult psychiatric care for adults ages 18-64, 15 inpatient beds for geropsychiatric care for ages 65+, and 15 adult chemical dependency beds.

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The proposed project will accept voluntary and/or involuntary admissions. If approved, the applicant plans to initiate service on August 1, 2015.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW:

Psychiatric Inpatient Services

A. Need

1. The population-based estimate of the total need for psychiatric inpatient services is 30 beds per 100,000 general population (using population estimates prepared by the Department of Health and applying the data in Joint Annual Reports).

*Using the population estimates prepared by the Department of Health, the Guidelines for Growth Bed Need Formula calculate the following total bed need for inpatient psychiatric services:*

*2013 Population:*

*Total            1,320,823 X 30 beds/100,000 = 396.24 Beds*

*2017 Population:*

*Total            1,342,034 X 30 beds/100,000 = 402.60 Beds*

2. For adult programs, the age group of 18 years and older should be used in calculating the estimated total number of beds needed.

*2013 Population:*

*Age 18+        830,498 X 30 beds/100,000 = 249.1 Beds*

*Age 65+        163,385 X 30 beds/100,000 = 49.0 Beds*

*2017 Population:*

*Age 18+        833,256 X 30 beds/100,000 = 250 Beds*

*Age 65+        185,755 X 30 beds/100,000 = 55.7 Beds*

3. For child inpatient under age 13, and if adolescent program the age group of 13-17 should be used.

*2017 Population:*

*Age 13-17      89,785 X 30 beds/100,000 = 27 Beds*

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4. These estimates for total need should be adjusted by the existent staffed beds operating in the area as counted by the Department of Health in the Joint Annual Report.

*According to the bed need formula, 397 beds were needed in 2013 and 403 will be needed in 2017. In 2013, 764 beds were actually staffed and operating in the service area which would equate to a bed surplus of 361 beds in 2017, even if no additional beds were approved and implemented. An additional 16 bed geriatric psychiatric hospital was approved at the January 22, 2014 Agency meeting. Woodridge of West Tennessee, CN1309-035A, will be located at 49 Old Hickory Blvd, Jackson (Madison County), TN. The service area counties of Dyer, Gibson, Hardin, Hardeman, Madison and McNairy counties in the Woodridge application will overlap with the proposed service area counties in this application.*

*It would appear the application does not meet this criterion.*

B. Service Area

1. The geographic service area should be reasonable and based on an optimal balance between population density and service proximity or the Community Service Agency.

*The primary service area includes 10 counties in Tennessee, 4 in Mississippi, and 6 in Arkansas.*

*It would appear the application meets this criterion.*

2. The relationship of the socio-demographics of the service area, and the projected population to receive services, should be considered. The proposal's sensitivity to and responsiveness to the special needs of the service area should be considered including accessibility to consumers, particularly women, racial and ethnic minorities, low income groups, and those needing services involuntarily.

*The applicant intends to focus on the psychiatric and medical needs of low-income, TennCare, Medicare, self-pay, and charity patients. In addition, involuntary admissions will be accepted.*

*It would appear the application meets this criterion.*

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### C. Relationship to Existing Applicable Plans

1. The proposal's relationship to policy as formulated in state, city, county, and/or regional plans and other documents should be a significant consideration.

*There are no identified state, city, county or regional planning documents provided by the Tennessee Department of Mental Health and Substance Abuse Services. The applicant references the State Guidelines for Growth which makes broad statements regarding providing the support of delivery of services to the most medical appropriate settings.*

*This criterion does not apply to this application.*

2. The proposal's relationship to underserved geographic areas and underserved population groups as identified in state, city, county and/or regional plans and other documents should be a significant consideration.

*There are no identified state, city, county or regional plans that require consideration.*

*This criterion does not apply to this application.*

3. The impact of the proposal on similar services supported by state appropriations should be assessed and considered.

*There are two (2) State operated inpatient adult psychiatric hospitals with 212 licensed beds in the proposed service area: Western Mental Health Institute (187 beds) located in Hardeman County and Memphis Mental Health Institute (60 beds) located in Shelby County. The applicant did not assess the impact the proposal would have on either of the State facilities. Traditionally, the State operated mental health institutions care for long-term mental health patients. Western Mental Health Institute's average length of stay was 114 days and Memphis Mental Health Institute's was 59.2 days in 2012. The applicant's average length of stay in Year One is 9.6 days.*



*The proposed sixty (60) bed freestanding psychiatric inpatient facility will be classified as an IMD (Institute for Mental Disease). For TennCare admissions (ages 21-64), TennCare will not receive matching federal funds. The cost of patient care for TennCare enrollees for age 21-64 will be reimbursed using 100% state funds.*

*It is not possible to determine the impact this proposal will have on similar services supported by state appropriations from the limited data that is currently available.*

4. The proposal's relationship to whether or not the facility takes voluntary and/or involuntary admissions, and whether the facility serves acute and/or long-term patients, should be assessed and considered.

*The applicant will accept involuntary admissions.*

*It would appear the application meets this criterion.*

5. The degree of projected financial participation in the Medicare and TennCare programs should be considered.

*The applicant plans to contract with all area TennCare managed care organizations and participate in Medicare.*

*It would appear the application meets this criterion.*

#### D. Relationship to Existing Similar Services in the Area

1. The area's trends in occupancy and utilization of similar services should be considered.

*The psychiatric bed days for the ten (10) county Tennessee service area increased from 182,833 days in 2010 to 189,090 days in 2012, an increase of 3.4%. The occupancy for the proposed service area in 2010 was 53.7% on 932 licensed beds, 56.8% in 2011 on 881 licensed beds, and 59.7% on 868 licensed beds in 2012.*

*It would appear the application meets this criterion.*

2. Accessibility to specific special need groups should be an important factor.

*Charity care will account approximately 1.0% of total gross revenue in Year One and Year Two equaling to \$140,803 (98 days) and \$248,243 (162 days), respectively.*

*It would appear the application meets this criterion.*

E. Feasibility

The ability of the applicant to meet Tennessee Department of Mental Health and Substance Abuse Services (DMHSAS) licensure requirements (related to personnel and staffing for psychiatric inpatient facilities) should be considered.

*The applicant is aware and understands the licensing and certification as required by the State of Tennessee for medical and clinical staff.*

*It appears the application meets this criterion.*

## STAFF SUMMARY

*Note to Agency members: This staff summary is a synopsis of the original application and supplemental responses submitted by the applicant. Any HSDA Staff comments will be presented as a "Note to Agency members" in bold italic.*

As previously indicated, Crestwyn proposes to establish a new 60-bed mental health hospital in Germantown, Tennessee. Crestwyn will be a joint venture involving its corporate parent, Acadia Healthcare, Baptist Memorial Healthcare, and St. Francis. Acadia owns both the Crestwyn LLC and Delta Medical Center, a 243 bed general hospital in Shelby County that provides both acute and psychiatric services. If approved, a total of 60 beds will be reduced by Delta and St. Francis. Delta would reduce its licensed psychiatric bed complement by 20 beds. St. Francis, a 519 bed general hospital that also provides both acute and psychiatric beds, will de-license 40 psychiatric beds.

*Note to Agency Members: A motion to approve the application would need to include a specific condition requiring the de-licensure of 60 beds in order for either the Departments of Health or Mental Health and Substance Abuse Services to enforce the de-licensure of beds.*

If approved, Crestwyn will be designated as an IMD (Institution for Mental Disease). Federal matching payments are not available to states for reimbursement to IMDs for patients ages 21-64. State only funds will be used for any TennCare admissions. TennCare admissions will represent approximately 15% of the applicants payor mix.

*\*Note to Agency Members: An Institution for Mental Diseases (IMD) is currently defined as "a hospital, nursing facility or other institution of more than 16-beds that is primarily engaged in providing diagnosis, treatment or care of persons with mental diseases, including medical attention, nursing care and related services" (42 C.F.R. §435.1010). Medicaid funding is not available to, or for the benefit of, Medicaid beneficiaries living in facilities that have been determined to be IMDs. According to NAMI (National Alliance on Mental Illness) and the National Association for Children's Behavioral Health, the IMD exclusion has been in place since 1965 when Medicaid was enacted. It originally excluded federal funding for any services provided to an individual who was under age 65 and was a patient in an Institute of Mental Disease. State and local psychiatric hospitals housed large numbers of persons with severe mental illness at (non-federal) public expense. The Congress made clear that the new Medicaid dollars were not to supplant this public effort that was already going on with*

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*resources from state and local governments. The federal matching funds exclusion was narrowed in 1972 when an exception was established for individuals under age 21. In 1988, Congress defined an IMD as a facility with more than 16 beds. While the Affordable Care Act will expand mental health coverage, it does not eliminate the IMD exclusion.*

### **Need**

The applicant provides the following justification in the original application:

- The high growth southeast sector of Shelby County currently does not have a dedicated state-of-the art psychiatric facility.
- Replace old, unused beds in central Shelby County with new beds in a comprehensive healthcare hospital.
- Replace the 70 Shelby County psychiatric beds that were lost when Community Behavioral Health closed its 50 bed hospital and Memphis Mental Health Institute closed 20 psychiatric inpatient beds: with a 60-bed freestanding psychiatric hospital in the county's largest growth area.
- The need is supported by area hospitals and mental health care providers.

### **Ownership**

Crestwyn Behavioral Health is owned by Crestwyn Health Group, LLC which currently is wholly owned by Acadia Merger Sub, LLC, which is wholly owned by Acadia Healthcare Company, Inc. Acadia Healthcare is a company based in Tennessee that operates 49 psychiatric and chemical dependency facilities in 21 states and Puerto Rico including Delta Medical Center in Memphis, Tennessee. Baptist will receive 20% minority interest in the applicant LLC as compensation for contributing land for the project. St. Francis will also receive a 20% membership interest in the LLC for de-licensing 40 psychiatric beds when Crestwyn opens. However, 60% majority control of the LLC will remain with Acadia Merger Sub, LLC.

### **Facility Information**

- The Crestwyn Behavioral Health facility is a 58,250 SF one story building consisting of two patient wings that will be located on 18.9 acres.
- Each of the four fifteen (15) bed units will consist of five (5) private rooms and ten (10) semiprivate rooms.
- Each of the four units will have activity rooms, comfort and seclusion rooms, support spaces and staff offices.
- The proposed sixty (60) bed geriatric facility will offer an education center with three classrooms, an activity therapy room, four group therapy rooms, and a patient gymnasium.

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- The proposed facility will have an outpatient therapy area that will consist of the following: reception; waiting area; outpatient therapies space; consultation rooms; and group treatment room.

### **Service Area Demographics**

The declared primary service area is Dyer, Fayette, Gibson, Hardeman, Hardin, Lake, McNairy, Madison, Shelby, and Tipton Counties.

#### **Total Population**

- The total population of the service area is estimated at 1,320,823 residents in calendar year 2013 increasing by approximately 1.6% to 1,342,034 residents in CY 2017.
- The total population of the state of Tennessee is expected to grow 3.7% during the same timeframe.

#### **13-17 Population**

- The total 13-17 population is estimated at 115,340 residents in 2013 decreasing approximately 2.4% to 112,560 residents in 2017.
- The age 13-17 population in the State of Tennessee overall is expected to increase 2.4% during the same timeframe.

#### **18-64 Population**

- The total 18-64 population is estimated at 830,498 residents in 2013 increasing approximately by 0.3% to 833,256 in 2017.
- The total 18-64 population in the State of Tennessee overall is expected to increase by 2.4% during the same timeframe.

#### **65+ Population**

- The total 65 and older population is estimated at 163,385 residents in 2013 increasing approximately 13.7% to 185,755 residents in 2017.
- The Age 65+ population in the state of Tennessee overall is expected to increase 12.4% during the same timeframe.
- The latest 2013 percentage of the proposed service area population enrolled in the TennCare program is approximately 23.3%, as compared to the statewide enrollment proportion of 18.6%.

*Source: The University of Tennessee Center for Business and Economic Research Population Projection Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics.*

### Service Area Historical Utilization

#### Service Area resident psychiatric inpatient destination (2012)

	County	Total	% of total
<b>*Acute Care Hospitals</b>			
Vanderbilt University Hospital	Davidson	42	.35%
Henry County Medical Center	Henry	19	.15%
Baptist Memorial Hospital Union City	Obion	40	.33%
Delta Medical Center	Shelby	772	6.5%
Methodist Healthcare - University Hospital	Shelby	575	4.8%
St. Francis Hospital	Shelby	795	6.7%
Perry County	Perry	23	.19%
<b>Mental Health Hospitals</b>			
Community Behavioral Health	Shelby	772	6.5%
Lakeside	Shelby	6,522	54.8%
Pathways	Madison	355	3%
Behavioral Healthcare Center at Martin	Weakley	105	.88%
<b>State Mental Health Hospitals</b>			
Memphis Mental Health Institute	Shelby	1,343	11.3%
Western Mental Health Institute	Hardeman	546	4.6%
<b>Total</b>		<b>11,909</b>	

\*Acute care hospital data does not include the age group 0-12.

- Lakeside Behavioral Health has the highest overall percentage of patients from the proposed service area with 6,522 patients, or 54.8%.

**Service Area Historical Utilization and Overall Market Share**

Facility	County	Beds (2012 )	2010 Patient Days	2011 Patient Days	2012 Patient Days	'10-'12 % Change	2010 Occup	2011 Occup.	2012 Occup.
Community Behavioral Health- Psych Beds	Shelby	50	5,069	6,011	6,655	+31.3%	27.8%	32.9%	36.5%
Lakeside Behavioral Health System- Psych beds	Shelby	290	56,063	59,671	63,508	+13.3%	53%	56.4%	60%
Lakeside Behavioral Health CD beds	Shelby	15	5,890	3,466	3,903	-33.7%	107.6%	63.3%	71.3%
Memphis Mental Health Institute	Shelby	75	21,889	20,615	21,630	-1.2%	78.9%	75.3%	79%
Delta Medical Center	Shelby	90	20,616	20,834	22,340	+8.4%	62.8%	63.4%	68%
Methodist University Healthcare-psych beds	Shelby	34	8,029	9,385	9,748	+20.5%	64.7%	75.6%	78.5%
St. Francis Hospital Psych beds	Shelby	102	17,520	16,199	16,843	-3.9%	47.1%	43.5%	45.2%
<b>Shelby County Subtotal</b>		<b>656</b>	<b>135,076</b>	<b>136,181</b>	<b>144,627</b>	<b>+7%</b>	<b>56.3%</b>	<b>56.9%</b>	<b>60.4%</b>
Pathways of Tennessee	Madison	25	3,418	3,085	2,846	-16.7%	37.5%	33.8%	31.2%
Western Mental Health Institute	Hardeman	187	44,339	43,427	41,617	-6.1%	*48.6%	**59.5%	60.9%
Other									
<b>Total</b>		<b>868</b>	<b>182,833</b>	<b>182,693</b>	<b>189,090</b>	<b>+3.4%</b>	<b>53.7%</b>	<b>56.8%</b>	<b>59.7%</b>

Source: Tennessee Department of Health, Joint Annual Reports - 2010, 2011, and 2012

\*Based on 250 licensed beds

\*\*Based on 200 licensed beds

- The above chart indicates inpatient psychiatric utilization in the proposed service area increased 3.4% from 182,833 patient days in 2010 to 189,090 patient days in 2012.
- Shelby County inpatient psychiatric utilization increased 7% from 135,056 patient days in 2010 to 144,627 patient days in 2012.
- Pathways of Tennessee (Madison County) experienced the largest decrease in psychiatric patient days from 2010 to 2012. Patient days decreased from 3,418 patient days in 2010, to 2,846 patient days in 2012, or -16.7%.

### **Applicant Projected Utilization**

The applicant's projected utilization for the first two years after project completion is presented in the table below:

Beds	Year 1 Admits	Year 1 Patient Days	Year 1 ALOS	Year 1 % Occupancy	Year 2 Admits	Year 2 Patient Days	Year 2 ALOS	Year 2 % Occupancy
60	1,020	9,795	9.6 days	45%	1,776	16,231	9.1 days	74%

### **Project Cost**

Major costs are:

- Construction Cost- \$14,262,500, or 56.6% of cost.
- Moveable Equipment-\$2,000,000, or 7.9% of cost.
- For other details on Project Cost, see the Project Cost on page 53R.

### **Financing**

An October 25, 2013 letter from David Duckworth, CFO, confirms that Acadia Healthcare has the necessary financial resources in the amount of \$25,200,000 to fund the proposed project.

### **Historical Data Chart**

Since this is a new facility, a historical data chart was not provided.

### **Projected Data Chart**

The applicant projects \$14,080,313.00 in total gross revenue on 9,975 days during the first year of operation and \$24,824,250 on 16,225 days in Year Two (approximately \$1,530 per day). The Projected Data Chart reflects the following:

- Net operating income less capital expenditures for the applicant will equal \$169,513 in Year One increasing to \$1,183,734 in Year Two.
- Net operating revenue after contractual adjustments is expected to reach \$13,653,338 or approximately 66% of total gross revenue in Year Two.
- Charity care at approximately 1.0% of total gross revenue in Year One and Year Two equaling to \$140,803 (98 days) and \$248,243 (162 days), respectively.

Acadia Healthcare's financial statements filed with the U.S. Securities and Exchange Commission for the period ending December 31, 2012 indicates \$49,399,000 in cash, total current assets of \$140,981,000, total current liabilities of \$71,851,000, and a current ratio of 1.96:1.

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Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

### **Charges**

In Year One of the proposed project, the average charges are as follows:

- The proposed average gross charge is \$1,438/day in 2015.
- The average deduction is \$625/day, producing an average charge of \$812/day.

### **Medicare/TennCare Payor Mix**

- Medicare- Charges will equal \$3,520,078 in Year One representing 25% of total gross revenue.
- TennCare- Charges will equal \$2,112,047 in Year One representing 15%.

### **Staffing**

The applicant's proposed direct patient care staffing in Year Two includes the following:

- 1.0 Director of Nursing
- 3.0 Outreach Coordinator
- 1.0 Quality Assurance/Infection Control
- 3.0 Social Worker/Case Managers
- 1.5 Activity Therapist
- 1.0 Occupational Therapist
- 12.0 Registered Nurses
- 24.0 Nursing Assistants/Psychiatric Techs
- 3.0 Outpatient Therapists and
- 2.0 Licensed Alcohol and Drug Abuse Counselors
- 6.0 Licensed Clinical Social Workers
- 6.0 Master's Level Social worker
- 63.5 Total FTE's

### **Licensure/Accreditation**

Crestwyn Behavioral Health will be licensed by the Tennessee Department of Mental Health and Substance Abuse Services and certified by Medicare and Medicaid.

Crestwyn Behavioral Health will seek accreditation from The Joint Commission.

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*The applicant has submitted the required information on corporate documentation and title and deeds. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency's office.*

Should the Agency vote to approve this project, the CON would expire in three years.

**CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:**

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant.

**CERTIFICATE OF NEED INFORMATION FOR OTHER FACILITIES IN THE SERVICE AREA:**

There are no Letters of Intent, denied or pending applications, for other health care organizations in the service area proposing this type of service.

**Woodridge of West Tennessee, CN1309-035A**, has an outstanding certificate of need that will expire on March 1, 2017. The CON was approved at the January 22, 2014 Agency meeting for the establishment of a sixteen (16) bed geriatric inpatient psychiatric facility located at 49 Old Hickory Blvd, Jackson (Madison County), TN 38305. The service area is Chester, Crockett, Dyer, Gibson, Hardin, Hardeman, Haywood, Henderson, Madison and McNairy counties. **The estimated project cost is \$933,000. Project Status: The project was recently approved.**

**PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.**

PME (4/8/14)



March 24, 2014

**VIA E-MAIL & U.S. MAIL**

Melanie Hill  
Executive Director  
Tennessee Health Services & Development Agency  
Andrew Jackson Bldg., 9th Floor  
502 Deaderick Street  
Nashville TN 37243

**Re: Crestwyn Behavioral Health, CN1310-040**

Dear Ms. Hill:

In connection with the above-reference project, we are writing in response to requests for clarification received from you via email on February 13th and March 13th. The following addresses each of those requests by topic.

**A. Participation by Delta Medical Center.**

The Crestwyn project is structured to include participation from the corporate parent's other Memphis-area facility – Delta Medical Center (“DMC”). If the Crestwyn project is approved and implemented, DMC will de-license some combination of its existing psychiatric and/or medical-surgical beds in favor of the Crestwyn project. Two scenarios are contemplated.

Under the first scenario, Crestwyn will be a joint venture involving the corporate parent and Baptist Memorial Healthcare. In this structure, DMC will de-license 20 psychiatric beds and 40 medical-surgical beds in favor of Crestwyn upon implementation.

Under the second scenario, Crestwyn will be a joint venture involving the corporate parent, Baptist Memorial Healthcare and a third hospital partner. In this structure, DMC will de-license 20 of its psychiatric beds in favor of Crestwyn upon implementation, and the third hospital partner will de-license 40 of its existing psychiatric beds in favor of Crestwyn upon implementation.

**B. Disproportionate Share Payments.**

Regarding the reference to Disproportionate Share Hospital (“DSH”) payments on page 40 of the application, we understand that DSH payments are expected to continue through at least 2020. As an urban safety-net hospital serving many low-income patients, DMC receives DSH payments that are used to support its mission. In order to qualify for the maximum amount of DSH support, DMC is required to maintain at least 100 medical-surgical hospital beds. Safety-net hospitals with less than 100 medical-surgical beds are subject to a cap on their DSH

payment support. In DMC's case, this cap would result in a significant loss of revenue. For example, if DMC had been subject to the cap in 2012, its DSH payment support would have been cut in half effectively – a loss of approximately \$427,000.

The Crestwyn project is structured to avoid this undesirable impact on DMC's much needed DSH payment support.

**C. Facility Closures in Memphis.**

As detailed on page 35R of the application, two mental health facilities have either closed or reduced capacity since 2012. Specifically, during that timeframe, Community Behavioral Health closed a 50-bed facility in central Memphis. Likewise, in 2012, the Memphis Mental Health Institute took an additional 15 beds out of service in order to provide triage and patient assessment space for Southeast Mental Health Center, which does not provide inpatient care.<sup>1</sup> In all, these actions reduced available inpatient psychiatric capacity in the service area by 65 beds.

The Crestwyn project will restore most this lost inpatient capacity, and it will relocate those inpatient beds to the most rapidly growing area in Shelby County, which lacks this resource now. The relocation of these inpatient beds will make them more accessible to patients living in the West Tennessee counties to the east of Shelby County. And, because Crestwyn will accept involuntary admissions and TennCare patients, these inpatient beds will open to a broader number of patients.

**D. Pharmacy & Medication Management.**

Consistent with the policy observed at other facilities operated by Crestwyn's corporate parent, Acadia Healthcare, Crestwyn will have a properly organized Pharmacy Department under the direction of a professionally competent pharmacist, duly licensed in the State of Tennessee. The Director of Pharmacy Services, with approval and cooperation of facility administration, will initiate and develop rules and regulations pertaining to the administrative policies of that department. The Director of Pharmacy Services, with approval and cooperation of the other mental health professionals on staff, including physicians and therapists, will develop and implement rules and regulations pertaining to the professional policies of the department.

Depending on the average daily census and patient mix at Crestwyn, the pharmacy services will be provided by a combination of full-time and/or part-time pharmacist(s) and pharmacy technicians. The equipment and resources at the Pharmacy Department will include:

- (a) the necessary equipment for the compounding, dispensing and manufacturing of pharmaceuticals and parenteral preparations;
- (b) a library of relevant drug-related information with computer access for all pharmacists, physicians and nurses;

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<sup>1</sup> Southeast Mental Health Center specializes in outpatient mental health services, including triage and intake screening. For example, it provide mobile crisis response for all of Shelby County and does the mandatory pre-admission screenings for TennCare patients needing inpatient care. It does approximately 17,000 screening and assessments each year.

- (c) specialized locked storage space(s) to meet the legal requirements for storage of narcotics, alcohol and other prescribed drugs;
- (d) a refrigerator for the storage of the thermolabile products; and
- (e) necessary floor space, lighting and ventilation for all Pharmacy Department operations, including the storage of pharmaceuticals.

**E. Records Management.**

Consistent with the policy observed at other facilities operated by Crestwyn's corporate parent, Acadia Healthcare, Crestwyn will have a properly organized Health Information Management ("HIM") Department under the direction of a professionally competent Registered Health Information Administrator or Technician. The Director of HIM, with the approval of hospital leadership, will develop and implement policies, procedures and processes to ensure the privacy and security of all patient protected health information including mental health, substance use, and communicable diseases. Consistent with the policy observed at other facilities operated by Crestwyn's corporate parent, Acadia Healthcare, Crestwyn will have a designated Privacy Officer to ensure that all relevant privacy and security obligations associated with HIPPA and/or Tennessee law are observed at all times.

Depending on the average daily census and patient mix at Crestwyn, HIM services will be provided by a complement of full-time and part-time HIM staff including the director, certified coders, analysts and transcriptionist. For Acadia Healthcare facilities that have an average daily census of 50 patients or less, typical staffing for the HIM Department consists of 1-2 full-time employees.

The HIM Department will be located in secure, double-locked space that includes safeguards to protect against loss, destruction, tampering and unauthorized access or use of patient data/information. Each unit at the facility will have a distinct patient record storage area to assure secure and confidential filing and storage of patient records. All electronic data will be protected by encryption and password controls. Records retention will comply with all relevant state and federal regulations.

Consistent with the practice at other facilities operated by Crestwyn's corporate parent, Acadia Healthcare, Crestwyn will have defined policies and procedures to address any release of protected health information containing mental health, psychotherapy notes, drug & alcohol and/or communicable diseases. Specific consent forms for any voluntary release of any mental health, psychotherapy notes, drug & alcohol and/or communicable diseases information will be developed.

**F. Institution for Mental Disease classification.**

Like many other private, freestanding psychiatric hospitals, Crestwyn is expected to operate as an Institution for Mental Disease ("IMD"). Crestwyn's IMD classification is not expected to affect its participation in the TennCare program, which is expected to account for approximately 15% of its payor mix. Self-pay patients are expected to account for approximately 10% of the payor mix.

Like DMC, Crestwyn will accept involuntary admissions. In addition, admissions at Crestwyn will not depend on a patient's age, race, ethnicity, gender or disability status. Unlike most of the other inpatient mental health facilities in Shelby County, Crestwyn will be broadly accessible to low-income and underinsured patients, and, where appropriate, it will coordinate admissions with DMC in order to assist patients in finding access to care to the fullest extent possible.

**G. Proposed Service Area.**

Because Crestwyn and DMC will share common ownership and management, the primary and secondary service area for the Crestwyn project is expected to mirror that at DMC. Based on actual 2012 admissions at DMC, this will include 68 counties in Tennessee, Mississippi and Arkansas. Nearly one-half of admissions at Crestwyn are expected to come from outside Shelby County. Crestwyn is expected to be a significant multi-state resource for inpatient mental health services.

Crestwyn's primary service area will consist of 20 counties in Tennessee (Dyer, Fayette, Gibson, Hardeman, Hardin, Lake, Madison, McNairy, Shelby and Tipton), Mississippi (DeSoto, Marshall, Panola, and Tate) and Arkansas (Craighead, Crittenden, Mississippi, Phillips, Poinsett, and St. Francis).

Crestwyn's secondary service area will consist of 48 counties in Tennessee (Benton, Carroll, Chester, Crockett, Davidson, Decatur, Haywood, Henderson, Humphrey, Lauderdale, Montgomery, Obion and Weakley), Mississippi (Alcorn, Benton, Bolivar, Calhoun, Carroll, Claiborne, Coahoma, Grenada, Hinds, Itawamba, LaFayette, Lee, LeFlore, Montgomery, Pontotoc, Prentiss, Quitman, Stone, Tippah, Tunica, Union, Washington and Yalobusha) and Arkansas (Clay, Cross, Fulton, Greene, Jackson, Lawrence, Lee, Pope, Pulaski, Randolph, Sharp and Woodruff).

Crestwyn's proposed service area differs markedly from other major providers located in Shelby County. In 2012, the largest private psychiatric hospital in Memphis drew 96.5% of its admissions from Shelby County. That same year, the Memphis Mental Health Institute drew 97.2% of its admissions from Shelby County. In 2012, Community Behavioral Health (now de-licensed and closed) reported serving no patients from outside Shelby County.

**H. Number of Proposed Psychiatric Beds.**

*See generally*, the above Section A for a discussion of the number of psychiatric beds to be used in the Crestwyn project. As explained, if approved, Crestwyn will implement 60 inpatient psychiatric beds.

We expect the likely implementation scenario will involve no net increase in the number of existing psychiatric beds in the primary service area in Tennessee. Rather, under that scenario, DMC and a third hospital partner will de-license 20 and 40 existing psychiatric beds, respectively, in favor of Crestwyn upon implementation.

Absent participation by a third hospital partner, the 60 beds planned for Crestwyn will be offset by de-licensing 20 psychiatric beds and 40 medical-surgical beds at DMC in favor of Crestwyn upon implementation.

Under either scenario, the 60 beds to be implemented at Crestwyn, if approved, will not fully offset the closure of 65 inpatient psychiatric beds that occurred at Community Behavioral Health and Memphis Mental Health Institute in 2012. Indeed, regardless of whether Crestwyn is implemented with or without a third hospital partner, there will be five less inpatient psychiatric beds in Shelby County than in 2012.

**I. Source of the Proposed Psychiatric Beds.**

*See generally*, the above Section A and Section H for a discussion of the psychiatric beds to be used in the Crestwyn project.

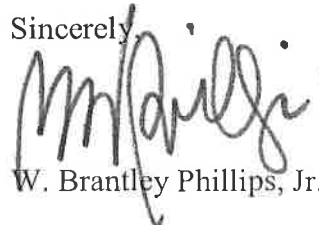
**J. Project Need & Patient Access.**

At present, psychiatric beds in Shelby County are concentrated in the overbuilt, central area of the county. Indeed, the largest private psychiatric hospital in Shelby County is located in the northeast sector of that community. Crestwyn is needed in order to relocate underutilized psychiatric beds within Shelby County to the high-growth southeast sector of that community. In addition to serving that high-growth area, Crestwyn will better position the area's limited inpatient psychiatric resources for access by patients living in the eastern area of the service area.

Crestwyn also is needed in order to re-purpose those beds at a state-of-the-art inpatient facility capable of providing comprehensive mental health services across all age ranges. At present, many of the private inpatient psychiatric beds located in Shelby County are not available to all patients. For example, DMC and Lakeside Behavioral Health are the only private providers in Shelby County that accept TennCare and involuntary admissions. As explained above, Crestwyn will accept TennCare and involuntary admissions, as well, and thus increase access to services for the broadest range of patient types. This is especially important considering the large area from which DMC draws patients. As noted, Crestwyn expects to draw patients from a similarly large area.

We trust the foregoing is responsive to the requests for clarification. Please do not hesitate to contact us should any additional clarifications are required. With kind regards, I am,

Sincerely,



W. Brantley Phillips, Jr.

WBP:

cc: John Wellborn

## LETTER OF INTENT



## LETTER OF INTENT -- HEALTH SERVICES & DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal, which is a newspaper of general circulation in Shelby County, Tennessee, on or before October 10, 2013, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Crestwyn Behavioral Health (a proposed psychiatric hospital), owned and managed by Crestwyn Health Group, LLC (a limited liability company), intends to file an application for a Certificate of Need to establish a psychiatric hospital in Germantown (Shelby County), at a capital cost estimated at \$26,900,000. The facility will be constructed within an unaddressed tract of land on the east side of Crestwyn Hills Drive, with a hospital entrance drive approximately 0.2 miles (less than a quarter of a mile) south of the intersection of Crestwyn Hills Drive with Winchester Road, Germantown TN 38138.

The facility will seek licensure as a 60-bed Mental Health Hospital, offering psychiatric care for adolescents (15 beds) and adults of all ages (30 beds), and adult chemical dependency care (15 beds) from the Department of Mental Health and Substance Abuse Services. When such licensure is granted, the applicant's affiliated facility in Shelby County, Delta Medical Center, will reduce its complement of licensed hospital beds by 60 beds. Another Shelby County hospital may join with Delta Medical Center to jointly delicense a combined total of 60 hospital beds. The project does not contain major medical equipment or initiate or discontinue any other health service.

The anticipated date of filing the application is on or before October 15, 2013. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 203, Suite 210, Nashville, TN 37215; (615) 665-2022.

John A. Wellborn 10-7-13 jwdsg@comcast.net  
 (Signature) (Date) (E-mail Address)

# ORIGINAL APPLICATION

**CRESTWYN  
BEHAVIORAL HEALTH**

**CERTIFICATE OF NEED APPLICATION  
TO ESTABLISH  
A 60-BED PSYCHIATRIC HOSPITAL  
IN GERMANTOWN, SHELBY COUNTY**

**Submitted August 2013**

OCT 31 '13 PM 12:22

**PART A****1. Name of Facility, Agency, or Institution**

Crestwyn Behavioral Health		
<i>Name</i>		
Unaddressed tract on east side of Crestwyn Hills Drive, 0.2 miles south of the intersection of Crestwyn Hills Drive with Winchester Road		
<i>Street or Route</i>		Sumner
Germantown		TN
<i>City</i>		38138
		<i>State</i>
		<i>Zip Code</i>

**2. Contact Person Available for Responses to Questions**

John Wellborn		Consultant	
<i>Name</i>		<i>Title</i>	
Development Support Group		jwdsg@comcast.net	
<i>Company Name</i>		<i>E-Mail Address</i>	
4219 Hillsboro Road, Suite 210	Nashville	TN	37215
<i>Street or Route</i>	<i>City</i>	<i>State</i>	<i>Zip Code</i>
CON Consultant	615-665-2022	615-665-2042	
<i>Association With Owner</i>	<i>Phone Number</i>	<i>Fax Number</i>	

**3. Owner of the Facility, Agency, or Institution**

Crestwyn Health Group, LLC	
<i>Name</i>	
c/o Acadia Healthcare, 830 Crescent Centre Drive, Suite 610	Williamson
<i>Street or Route</i>	<i>County</i>
Franklin	TN
<i>City</i>	37067
	<i>State</i>
	<i>Zip Code</i>

**4. Type of Ownership or Control (Check One)**

A. Sole Proprietorship		F. Government (State of TN or Political Subdivision)	
B. Partnership		G. Joint Venture	
C. Limited Partnership		H. Limited Liability Company	x
D. Corporation (For-Profit)		I. Other (Specify):	
E. Corporation (Not-for-Profit)			

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS

**5. Name of Management/Operating Entity (If Applicable)** **NA**

<i>Name</i>		
<i>Street or Route</i>	<i>County</i>	
<i>City</i>	<i>State</i>	<i>Zip Code</i>

**6. Legal Interest in the Site of the Institution (Check One)**

A. Ownership		D. Option to Lease	
B. Option to Purchase		E. Other: Commitment Letter &	
C. Lease of _____ Years		executed Operating Agreement	

**7. Type of Institution (Check as appropriate—more than one may apply)**

A. Hospital (Specify): General		I. Nursing Home	
B. Ambulatory Surgical Treatment Center (ASTC) Multi-Specialty		J. Outpatient Diagnostic Center	
C. ASTC, Single Specialty		K. Recuperation Center	
D. Home Health Agency		L. Rehabilitation Center	
E. Hospice		M. Residential Hospice	
F. Mental Health Hospital	x	N. Non-Residential Methadone	
G. Mental Health Residential Facility		O. Birthing Center	
H. Mental Retardation Institutional Habilitation Facility (ICF/MR)		P. Other Outpatient Facility (Specify):	
		Q. Other (Specify):	

**8. Purpose of Review (Check as appropriate—more than one may apply)**

A. New Institution	x	G. Change in Bed Complement Please underline the type of Change: Increase, Decrease, Designation, Distribution, Conversion, Relocation	
B. Replacement/Existing Facility		H. Change of Location	
C. Modification/Existing Facility		I. Other (Specify):	
D. Initiation of Health Care Service as defined in TCA Sec 68-11-1607(4) (Specify)			
E. Discontinuance of OB Service			
F. Acquisition of Equipment			

**9. Bed Complement Data***(Please indicate current and proposed distribution and certification of facility beds.)*

	<b>Current Licensed Beds</b>	<b>CON approved beds (not in service)</b>	<b>Staffed Beds</b>	<b>Beds Proposed (Change)</b>	<b>TOTAL Beds at Completion</b>
A. Medical					
B. Surgical					
C. Long Term Care Hosp.					
D. Obsetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric				15	15
I. Geriatric Psychiatric				15	15
J. Child/Adolesc. Psych.				15	15
K. Rehabilitation					
L. Nursing Facility (non-Medicaid certified)					
M. Nursing Facility Lev. 1 (Medicaid only)					
N. Nursing Facility Lev. 2 (Medicare only)					
O Nursing Facility Lev. 2 (dually certified for Medicare & Medicaid)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child/Adolescent Chemical Dependency				15	15
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60</b>	<b>60</b>

<b>10. Medicare Provider Number:</b>	to be requested
<b>Certification Type:</b>	psychiatric hospital
<b>11. Medicaid Provider Number:</b>	to be requested
<b>Certification Type:</b>	psychiatric hospital

12. &amp; 13. See page 4

**A.12. IF THIS IS A NEW FACILITY, WILL CERTIFICATION BE SOUGHT FOR MEDICARE AND/OR MEDICAID?**

This will be a new licensed facility. Certification will be requested for both Medicare and Medicaid/TennCare. This facility's sister hospital in Memphis is certified for both programs.

**A.13. IDENTIFY ALL TENNCARE MANAGED CARE ORGANIZATIONS / BEHAVIORAL HEALTH ORGANIZATIONS (MCO'S/BHO'S) OPERATING IN THE PROPOSED SERVICE AREA. WILL THIS PROJECT INVOLVE THE TREATMENT OF TENNCARE PARTICIPANTS? Yes IF THE RESPONSE TO THIS ITEM IS YES, PLEASE IDENTIFY ALL MCO'S WITH WHICH THE APPLICANT HAS CONTRACTED OR PLANS TO CONTRACT.**

**DISCUSS ANY OUT-OF-NETWORK RELATIONSHIPS IN PLACE WITH MCO'S/BHO'S IN THE AREA.**

<b>Table One: Contractual Relationships with Service Area MCO's</b>	
<b>Available TennCare MCO's</b>	<b>Applicant's Relationship</b>
BlueCare	to be contracted
United Community Healthcare Plan (formerly AmeriChoice)	to be contracted
Select	to be contracted

The applicant's parent company, Acadia Healthcare, owns Delta Medical Center in Memphis. That facility provides both general acute care and psychiatric care services. Delta is contracted with BlueCare and with United. In addition, Crestwyn Behavioral Health will seek contracts with the Medicaid programs in adjoining Arkansas and Mississippi, areas which will contribute a substantial number of patients of all income levels to this facility.

## **SECTION B: PROJECT DESCRIPTION**

**B.I. PROVIDE A BRIEF EXECUTIVE SUMMARY OF THE PROJECT NOT TO EXCEED TWO PAGES. TOPICS TO BE INCLUDED IN THE EXECUTIVE SUMMARY ARE A BRIEF DESCRIPTION OF PROPOSED SERVICES AND EQUIPMENT, OWNERSHIP STRUCTURE, SERVICE AREA, NEED, EXISTING RESOURCES, PROJECT COST, FUNDING, FINANCIAL FEASIBILITY AND STAFFING.**

### Proposed Services and Equipment

- The project is to establish Crestwyn Behavioral Health ("Crestwyn"), a 60-bed psychiatric hospital, located in Germantown in southeast Shelby County. Crestwyn will serve adult, geriatric adult, and child and adolescent psychiatric patients, and will also provide adult chemical dependency services. It will provide 15 beds for each program. Its services will include inpatient acute care, partial hospitalization, and outpatient care. The project site in Germantown will be contributed by Baptist Memorial Health Services, Inc., which will be a minority owner in the project.
- The project will not increase the number of licensed hospital beds in Shelby County. The CON applicant's parent company, Acadia Healthcare, owns 243-bed Delta Medical Center in central Shelby County. When the Crestwyn facility opens, Delta will reduce its licensed hospital bed complement by 60 beds--40 general medical-surgical beds and 20 psychiatric beds.
- Advanced discussions are underway with another Shelby County hospital to become part of the project and to relocate some of its own licensed hospital beds to the project. If this occurs, that hospital and Delta Medical Center together will delicense a total of 60 acute care hospital beds, all of which will be acute psychiatric beds.

### Ownership Structure

- The applicant and future licensee is Crestwyn Health Group, LLC. Until the CON is granted, this LLC will be wholly owned by Acadia Merger Sub, LLC, which is wholly owned by Acadia Healthcare Company, Inc. Acadia Healthcare is a Tennessee-based healthcare company that currently operates 49 psychiatric and chemical dependency facilities in 21 States and Puerto Rico--including Delta Medical Center in Memphis, which provides both psychiatric and general medical-surgical services. Attachment A.4 contains information on the facilities owned by this facility's parent organization.
- Crestwyn has been planned as a collaboration among existing hospital systems in Memphis, who will contribute land or licensed beds to the project, and will have ownership interests. This cooperative approach represents sound healthcare planning and a "first" for West Tennessee. At the time of filing, two systems are committed to the project and a third is still in discussions. Baptist Memorial Health Services, Inc. will receive a 20% minority membership interest in the applicant LLC, as compensation for contributing the site (land) for the project. The other local hospital system may take a similar minority interest in the project, and, if so, will delicense up to 40 of its own psychiatric beds after the Crestwyn facility opens. However, the applicant LLC's current owner (Acadia Healthcare) will maintain majority ownership with at least 60% of membership interests, both during and after the review process.



### Service Area

- Crestwyn will provide mental healthcare to residents of a 68-county region in three States. Like that of its sister facility Delta Medical Center, Crestwyn's 20-county primary service area ("PSA"), from which 86.4% of admissions will come, will consist of 10 Tennessee counties, 4 Mississippi counties, and 6 Arkansas counties. Crestwyn's secondary service area will consist of 48 additional counties in those and other States.

### Need

- The project will relocate and re-purpose underutilized hospital beds within Shelby County--moving them from the over-built, older central area of the county to the high-growth southeast sector. This will:

(a) Give the county's high-growth southeast sector its first dedicated psychiatric beds, an option long available in northeast and central Shelby County;

(b) Replace old, unused beds in central Shelby County with new beds in a comprehensive mental healthcare hospital;

(c) Replace 65 freestanding psychiatric hospital beds recently closed by another provider in central Shelby County, with 60 freestanding psychiatric hospital beds in the county's largest growth area; and

(d) Improve the area's financial and physical access to comprehensive inpatient mental health care in a state-of-the-art private hospital setting.

- The need is supported by area hospitals and mental health care providers. Those include Memphis hospitals, both State mental health hospitals in West Tennessee (in Bolivar and Memphis), and hospitals and crisis centers.

• Acadia Healthcare, Crestwyn's parent company, already operates Delta Medical Center, an older facility in central Shelby County. Delta provides general and psychiatric care to a community with significant TennCare, Medicare, and indigent residents. It has a "disproportionate share provider" (DSH) Medicare designation, providing essential extra reimbursement for its high rate of service to elderly and low-income patients.

• Delta's 90 psychiatric beds are at very high occupancy. Adding to them by converting medical-surgical beds is not financially feasible for Delta, due to (a) high construction costs in an old facility, (b) site limitations, and (c) major Medicare DSH reimbursement reductions if medical-surgical beds are reduced significantly. Expanding Acadia's program into a two-facility system (Delta and Crestwyn) is the orderly way for Acadia to continue meeting regional and local needs, and to continue serving its community at robust levels.

- Establishment of the new hospital by relocating underutilized beds from other locations within the county will provide a needed new resource without increasing the total number of licensed hospital beds in Shelby County.

### Existing Resources

- Shelby County has three general hospitals with licensed psychiatric bed units, two freestanding psychiatric hospitals (a third recently closed), and an approved 16-bed geropsychiatric hospital that remains unimplemented six years after its CON approval. None of these is located in southeast Shelby County, where Germantown and Collierville have been two of Tennessee's fastest growing cities.

### Project Cost, Funding, Financial Feasibility, and Staffing

- The project cost for CON purposes is estimated at \$26,875,862, which includes the market value of the hospital site being contributed by Baptist Memorial Health Services, Inc. and a contingency for expenses associated with the closure of underutilized beds elsewhere in Shelby County once Crestwyn opens. The project's cash requirements will be funded entirely by a cash transfer from Acadia Healthcare Company, the parent company of the applicant. The applicant projects that the Crestwyn Behavioral Health facility will have a positive operating margin in Year Two of operation. The new facility will have a professional staff of 63.5 FTE's in Year Two.

**B.II. PROVIDE A DETAILED NARRATIVE OF THE PROJECT BY ADDRESSING THE FOLLOWING ITEMS AS THEY RELATE TO THE PROPOSAL.**

**B.II.A. DESCRIBE THE CONSTRUCTION, MODIFICATION AND/OR RENOVATION OF THE FACILITY (EXCLUSIVE OF MAJOR MEDICAL EQUIPMENT COVERED BY T.C.A. 68-11-1601 *et seq.*) INCLUDING SQUARE FOOTAGE, MAJOR OPERATIONAL AREAS, ROOM CONFIGURATION, ETC.**

<b>Table Two: Construction Costs</b>	
Square Feet	58,250 GSF
Construction Cost	\$14,262,500
Construction Cost PSF	\$244.85 PSF

<b>Table Three: Facility Size</b>	
1. Building Area	58,250 GSF
2. Building Type	Single story, central services core and two patient wings
3. Size of Site	18.9 acres
4. Licensed Beds	
Adult Psychiatric	15 beds--5 private; 10 semiprivate
Geropsychiatric	15 beds--5 private; 10 semiprivate
Child & Adolescent	15 beds--5 private; 10 semiprivate
Chemical Dependency	15 beds--5 private; 10 semiprivate
<i>Totals</i>	<i>60 beds--20 private; 40 semiprivate</i>

**Physical Description of the Facility**

The Crestwyn Behavioral Health facility will be constructed on an 18.9-acre plot of land (Parcel 1) within a large tract of open land in Germantown. The City of Germantown has not yet assigned it a street address. The site is on the east side of Crestwyn Drive, approximately one-fourth mile south of that street's intersection with Winchester Road. The site is being contributed by Baptist Memorial Health Services.

The main entrance to the hospital will be a new hospital drive going approximately 100 yards east from Crestwyn Drive, to the front of the hospital. North of the hospital property is an existing office park. An alternate entrance to the hospital grounds will be provided by an extension of that business park's main drive to connect to the new hospital drive near the front of the hospital. A location and site map are attached after this section to illustrate the position of the proposed hospital.

The facility design has a central “core” area of services, flanked by two wings of patient rooms with their own support and treatment areas. The hospital front entrance is in the center of the northwest side of this building. The entrance opens into a reception and waiting area, flanked by admitting and consultation rooms. To the right of this entrance lobby is an administrative area with staff offices and conference rooms. To the left of the entrance lobby is an outpatient reception and waiting area with its own outpatient therapies spaces, consultation rooms, and group treatment room.

Beyond the entrance lobby, in the middle of this core area, are food services and a large patient gymnasium. Beyond those, on the southeast side of the core building, there is an Education Center with three classrooms, an activity therapy room, and four group therapy rooms. It also contains staff offices and support spaces (workroom, files, etc.).

Flanking the core are two large wings of patient rooms, each with additional patient care and support spaces. Each wing contains two bed units. The eastern bed wing contains the child and adolescent unit and the geropsychiatric unit; the southern wing contains the adult psychiatric unit and the adult substance abuse unit. Each of those four bed units has fifteen patient beds--five in private rooms, and ten in semiprivate rooms. Each of the four units has activity rooms, comfort and seclusion rooms, support spaces, staff offices, and other features.

For the CON Agency’s convenience, an overall site and floor plan are attached at the end of this section, following location and site maps. Expanded plans are provided in the Attachments at the back of the application.

#### Closure of Older Beds To Offset the Sixty New Crestwyn Beds

Table Four on the following page shows the changes in Shelby County beds that will occur after Crestwyn opens, to offset the 60 proposed Crestwyn beds. If the anticipated agreement with another hospital system is achieved, that system will delicense up to 40 psychiatric beds and Delta Medical Center will delicense 20 psychiatric beds and sufficient medical-surgical beds to cause a combined delicensure of

60 beds at the two existing hospitals. If the agreement is not reached, Delta will delicense 20 psychiatric beds and 40 medical-surgical beds. Either way, Crestwyn's 60 hospital beds will be offset by delicensure of 60 beds elsewhere in the county.

<b>Table Four: Proposed Changes in Assignment of Licensed Hospital Beds at Other Shelby County Hospitals</b>		
<b>Licensed Bed Assignment</b>	<b>Current</b>	<b>Proposed</b>
Delta Medical Center		
General Acute	153	113 (-40) to 153
Adult Psychiatric	90	70 (-20)
Child & Adolescent Psychiatric	na	na
Chemical Dependency	na	na
Total	243	183 (-60) to 233 (-20)
Second <b>Potential</b> Hospital Partner	confidential	(-0) to (-40)

Source: Acadia Healthcare

#### Operation of the Facility

As a licensed inpatient acute care facility, Crestwyn will operate 24 hours daily throughout the year. If granted final CON approval during CY 2014, the project is expected to complete final plan approval and complete construction during 2015. Its first full year of operation will be CY2016.

#### Ownership of the Facility

The CON applicant and prospective licensee is Crestwyn Health Group, LLC. Until the CON is granted, that LLC will be wholly owned by Acadia Merger Sub, LLC, which is wholly owned by Acadia Healthcare Company, Inc. Acadia Healthcare is a Tennessee-based healthcare company that currently operates 49 psychiatric and chemical dependency facilities in 22 States, and Delta Medical Center in Memphis, which provides both psychiatric and general medical-surgical services. Attachment A.4 contains information on the facilities owned by this facility's parent organization.

After the CON is granted, one or more other Memphis acute care systems are expected to acquire minority interests in the LLC. Baptist Memorial Health Services, Inc. will receive a 20% membership interest in the applicant LLC, as compensation for contributing the land for the project. If it joins the project, the third hospital system will receive a similar minority interest in the LLC in connection with delicensing 40 of its psychiatric beds when Crestwyn opens. So the project is a joint venture between at least two, and potentially three, established acute care providers in Shelby County. However, approximately 60% majority control of the LLC will remain with Acadia Merger Sub, LLC, which is wholly owned by Acadia Healthcare Company.

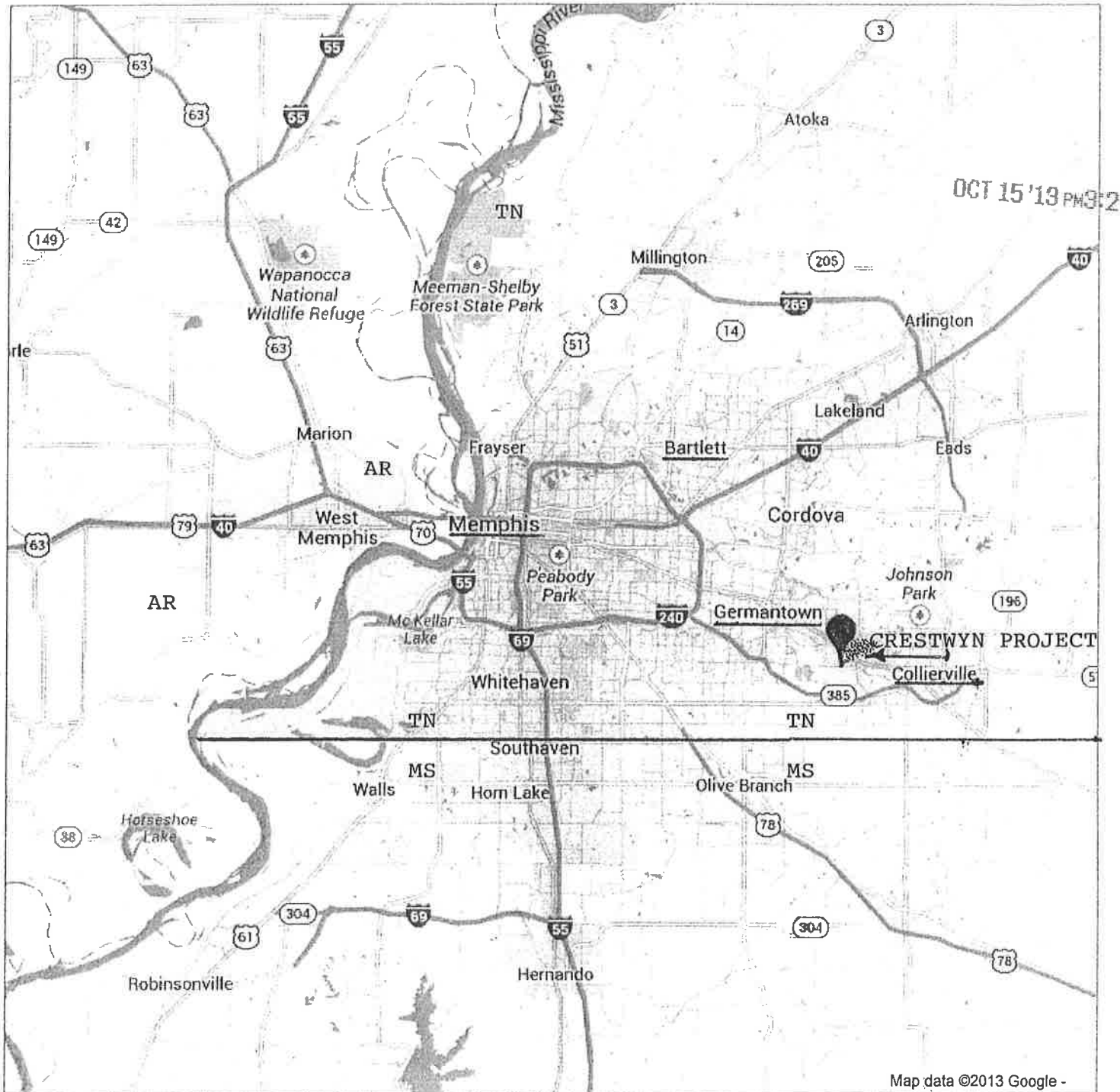
#### Financing of the Project

The required capital expenditures, as much as approximately \$25,200,000, will be funded by the applicant's ultimate parent company, Acadia Healthcare Company. The Attachments contain Acadia's funding commitment letter and its income statement and balance sheet.

35

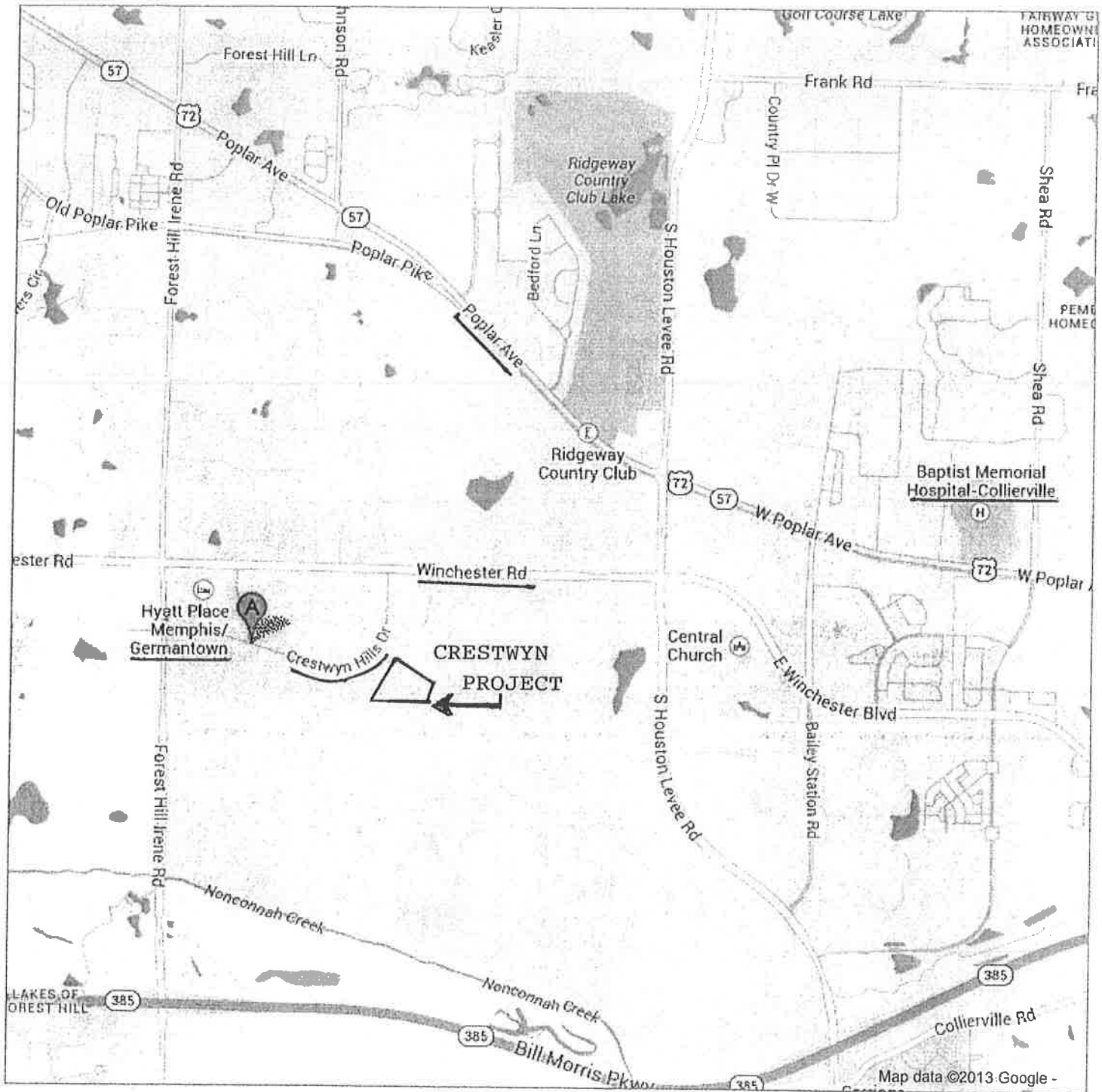
Google

To see all the details that are visible on the screen, use the "Print" link next to the map.




Google

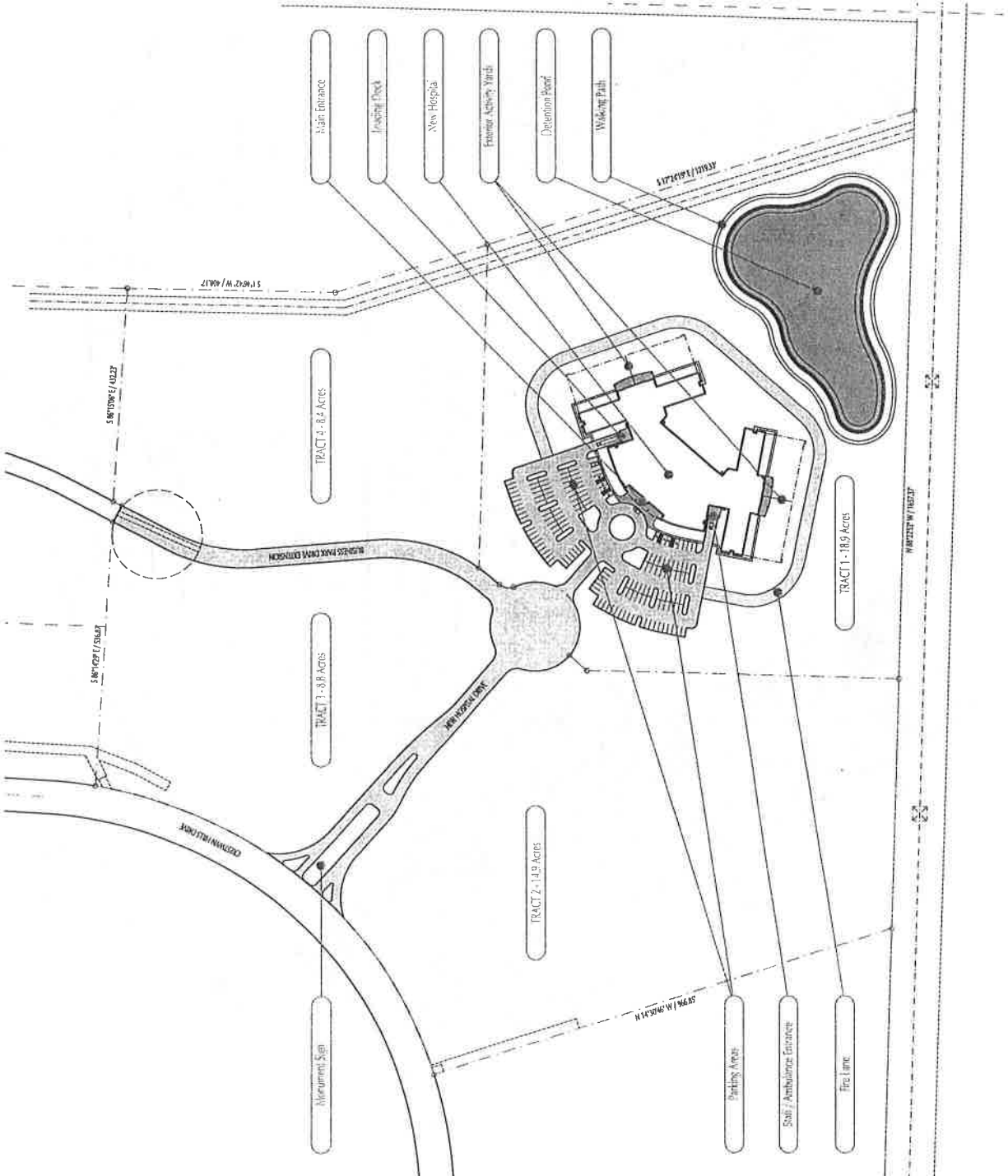
To see all the details that are visible on the screen, use the "Print" link next to the map.





NEW 60-BED INPATIENT PSYCHIATRIC HOSPITAL

LEGEND	
	New Building Area
	58,350 sf



GRAPHIC SCALE			
0	100'	200'	400'

CONCEPTUAL SITE PLAN	
NEW HARBURG PSYCHIATRIC HOSPITAL	
CREATED BY HEALTH GROUP, LLC	
MEMPHIS, TENNESSEE	
<b>CO01-01</b>	
11 JUNE 2013	

NEW 60-BED INPATIENT PSYCHIATRIC HOSPITAL

LEGEND	
	New Building Area
	Circulation Area

UNIT B2 - 15 Adult Beds

UNIT B1 - 15 Substance Abuse Beds

UNIT A2 - 15 Child/Adolescent Beds

UNIT A1 - 15 Geriatric Beds

Education Center

Outpatient Therapy

GRAPHIC SCALE			
0	15	30	60'

CONCEPTUAL COMPOSITE FLOOR PLAN	
NEW INPATIENT PSYCHIATRIC HOSPITAL CHICAGO, ILLINOIS	
<b>C001-02</b>	
11 JAN 2013	



APPLICANTS WITH HOSPITAL PROJECTS (CONSTRUCTION COST IN EXCESS OF \$5 MILLION) AND OTHER FACILITY PROJECTS (CONSTRUCTION COST IN EXCESS OF \$2 MILLION) SHOULD COMPLETE THE SQUARE FOOTAGE AND COSTS PER SQUARE FOOTAGE CHART.

UTILIZING THE ATTACHED CHART....

See Attachment B.II.A.

PLEASE ALSO DISCUSS AND JUSTIFY THE COST PER SQUARE FOOT FOR THIS PROJECT.

Hospital construction projects approved by the HSDA in 2010-2012 had the following average construction costs per SF:

<b>Table Five: Hospital Construction Cost PSF Years: 2010 – 2012</b>			
	Renovated Construction	New Construction	Total Construction
1 <sup>st</sup> Quartile	\$99.12/sq ft	\$234.64/sq ft	\$167.99/sq ft
<b>Median</b>	\$177.60/sq ft	<b>\$259.66/sq ft</b>	\$235.00/sq ft
3 <sup>rd</sup> Quartile	\$249.00/sq ft	\$307.80/sq ft	\$274.63/sq ft

*Source: CON approved applications for years 2010 through 2012*

The Crestwyn Behavioral Health facility will be cost-effective and consistent with those averages. The project's estimated construction cost is approximately \$244.85 PSF, consistent with the HSDA's published median cost PSF in those years.

<b>Table Two: (Repeated from Previous Section): Construction Costs</b>	
Square Feet	58,250 GSF
Construction Cost	\$14,262,500
Construction Cost PSF	\$244.85 PSF

IF THE PROJECT INVOLVES NONE OF THE ABOVE, DESCRIBE THE DEVELOPMENT OF THE PROPOSAL.

Not applicable.

CRESTWYN BEHAVIORAL HEALTH  
SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost / SF		
					Renovated	New	Total	Renovated	New	Total
Administration						5,701	5,701		\$ 225.00	\$ 1,282,725
Building Support						2,031	2,031		\$ 200.00	\$ 406,200
Dietary						3,872	3,872		\$ 250.00	\$ 968,000
Education / Activity Therapy						6,338	6,338		\$ 225.00	\$ 1,426,050
Inpatient Nursing Units						19,120	19,120		\$ 275.00	\$ 5,258,000
Outpatient Therapy						1,768	1,768		\$ 200.00	\$ 353,600
Pharmacy						421	421		\$ 245.00	\$ 103,145
Public Spaces						1,095	1,095		\$ 235.00	\$ 257,325
B. Unit/Department GSF Sub-Total						40,346	40,346		\$ 249.22	\$ 10,055,045
C. Mechanical / Electrical GSF						841	841		\$ 940.00	\$ 790,540
D. Circulation / Structure GSF						17,063	17,063		\$ 200.25	\$ 3,416,915
E. Total GSF						58,250	58,250		\$ 244.85	\$ 14,262,500

**B.II.B. IDENTIFY THE NUMBER AND TYPE OF BEDS INCREASED, DECREASED, CONVERTED, RELOCATED, DESIGNATED, AND/OR REDISTRIBUTED BY THIS APPLICATION. DESCRIBE THE REASONS FOR CHANGE IN BED ALLOCATIONS AND DESCRIBE THE IMPACT THE BED CHANGE WILL HAVE ON EXISTING SERVICES.**

The project is a new psychiatric hospital. Its proposed bed assignments are shown in Table Six-A below. Table Six-B below shows how existing beds in one to two other Shelby County hospitals will be delicensed to fully offset the 60 new beds at Crestwyn.

<b>Table Six-A: Proposed Assignment of Licensed Hospital Beds Crestwyn Behavioral Health</b>	
<b>Service</b>	<b>Proposed Bed Assignment</b>
Adult Psychiatric	15
Geropsychiatric	15
Child & Adolescent Psychiatric	15
Adult Chemical Dependency	15
<b>Total Bed Assignments</b>	<b>60</b>

*Source: Hospital management*

<b>Table Six-B: Proposed Changes in Assignment of Licensed Hospital Beds at Other Shelby County Hospitals</b>		
<b>Licensed Bed Assignment</b>	<b>Current</b>	<b>Proposed</b>
<b>Delta Medical Center</b>		
General Acute	153	113 (-40) to 153
Adult Psychiatric	90	70 (-20)
Child & Adolescent Psychiatric	0	0
Chemical Dependency	0	0
<b>Total</b>	<b>243</b>	<b>183 (-60) to 223 (-20)</b>
<b>Second Potential Hospital Partner</b>	<b>confidential</b>	<b>(-0) to (-40)</b>

*Source: Acadia Healthcare*

**B.II.C. AS THE APPLICANT, DESCRIBE YOUR NEED TO PROVIDE THE FOLLOWING HEALTH CARE SERVICES (IF APPLICABLE TO THIS APPLICATION):**

1. ADULT PSYCHIATRIC SERVICES
2. ALCOHOL AND DRUG TREATMENT ADOLESCENTS >28 DAYS
3. BIRTHING CENTER
4. BURN UNITS
5. CARDIAC CATHETERIZATION SERVICES
6. CHILD AND ADOLESCENT PSYCHIATRIC SERVICES
7. EXTRACORPOREAL LITHOTRIPSY
8. HOME HEALTH SERVICES
9. HOSPICE SERVICES
10. RESIDENTIAL HOSPICE
11. ICF/MR SERVICES
12. LONG TERM CARE SERVICES
13. MAGNETIC RESONANCE IMAGING (MRI)
14. MENTAL HEALTH RESIDENTIAL TREATMENT
15. NEONATAL INTENSIVE CARE UNIT
16. NON-RESIDENTIAL METHADONE TREATMENT CENTERS
17. OPEN HEART SURGERY
18. POSITIVE EMISSION TOMOGRAPHY
19. RADIATION THERAPY/LINEAR ACCELERATOR
20. REHABILITATION SERVICES
21. SWING BEDS

Overview

The project's benefits to the service area include the following:

- (a) improved distribution of inpatient psychiatric beds within Shelby County;
- (b) comprehensive inpatient mental healthcare in a state-of-the-art facility;
- (c) improved financial accessibility relative to other such private facilities;
- (d) the area's first cooperative psychiatric project among local hospital systems;
- (e) potential training of physicians from U.T. medical school programs.

Because all 60 of the project's beds will be replacing beds at older facilities in Memphis, the project will not increase total licensed hospital bed complements. Depending on the outcome of discussions with another hospital system in the area, it is possible that the project will not increase the number of acute psychiatric hospital bed complements in the area.

If that system does not join the project and delicense some of its own psychiatric beds, then Crestwyn will be adding only 40 new psychiatric beds to the area--through conversion of its own older, underutilized medical-surgical beds. It should be noted that those 40 additional psychiatric beds represent barely more than half (53%) of the licensed psychiatric beds that have been **removed** from use in Shelby County in the past year, by bed closures at two Memphis psychiatric hospitals.

(a) Improved Distribution of Resources Within the County

Table Seven below shows distances and drive times between the Crestwyn project site in Germantown, and existing providers of acute inpatient psychiatric services in the 20-county primary service area. Following the table are maps showing those provider locations in the primary service area. Crestwyn's Germantown site is a significant drive time (approximately 25-30 minutes) from almost all other Shelby County providers of inpatient psychiatric care who are not part of this project.

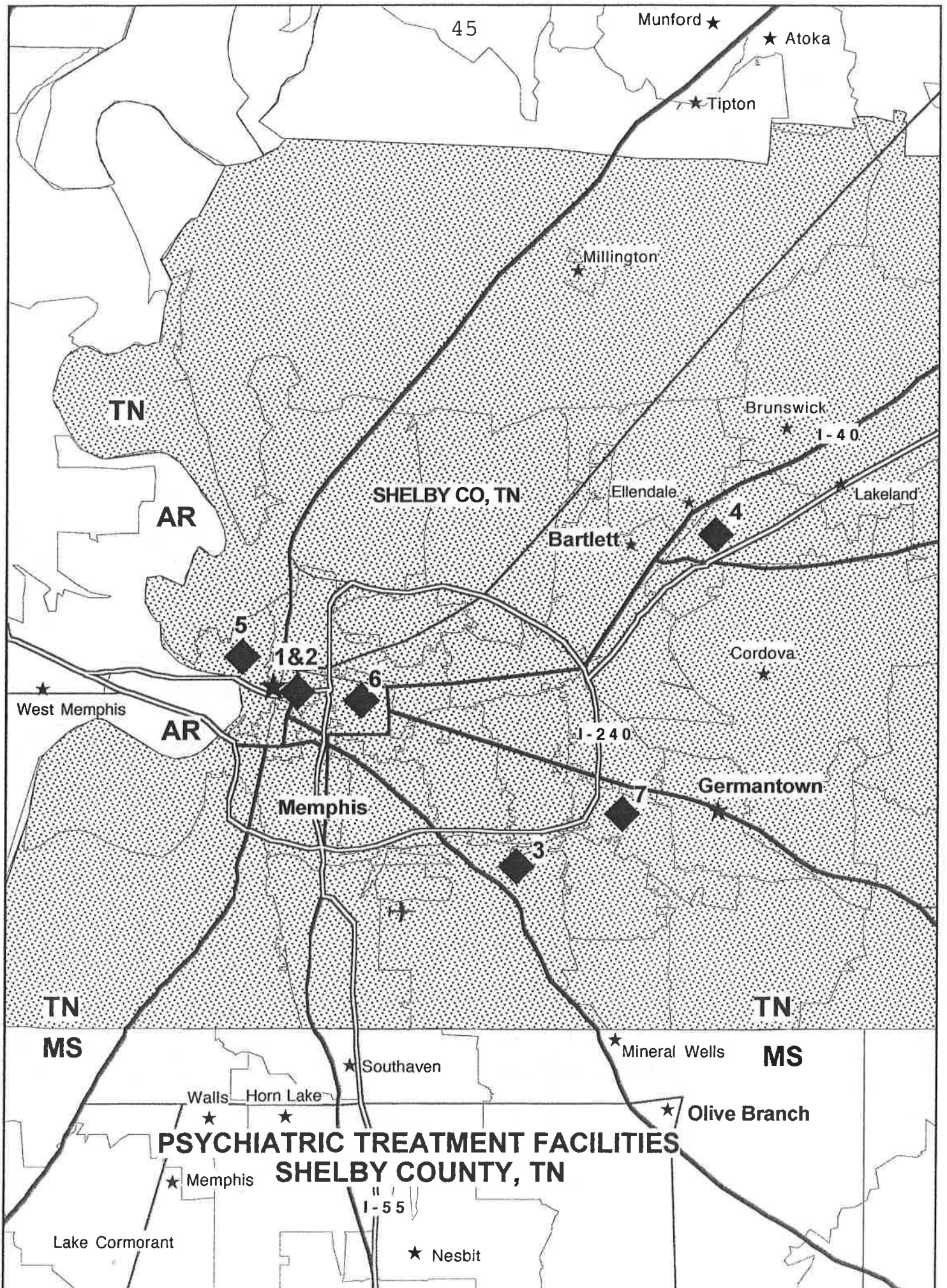
Table Seven: Distances and Drive Times From Project Site To Acute Psychiatric Care Beds in the 20-County Primary Service Area, CY2012				
Provider	Type of Facility	County & State	Miles Distance	Drive Time
Behavioral Health Care Center ( <i>approved/unimplemented</i> )	Psychiatric Hospital	Shelby TN	25.4 miles	29 min.
Community Behavioral Health ( <i>closed</i> )	Psychiatric Hospital	Shelby TN	22.2 miles	27 min.
Delta Medical Center	Unit of M/S Hospital	Shelby TN	12.7 miles	19 min.
Lakeside Behavioral Health	Psychiatric Hospital	Shelby TN	14.6 miles	27 min.
Memphis Mental Health Institute ( <i>State Hospital</i> )	Psychiatric Hospital	Shelby TN	22.1 miles	26 min.
Methodist Univ. Healthcare	Unit of M/S Hospital	Shelby TN	21.6 miles	25 min.
Saint Francis Hospital	Unit of M/S Hospital	Shelby TN	9.0 miles	14 min.
Pathways of TN (Jackson)	Psychiatric Hospital	Madison TN	75.6 miles	83 min.
Western Mental Health Institute ( <i>State Hospital, Bolivar</i> )	Psychiatric Hospital	Hardeman TN	58.4 miles	65 min.

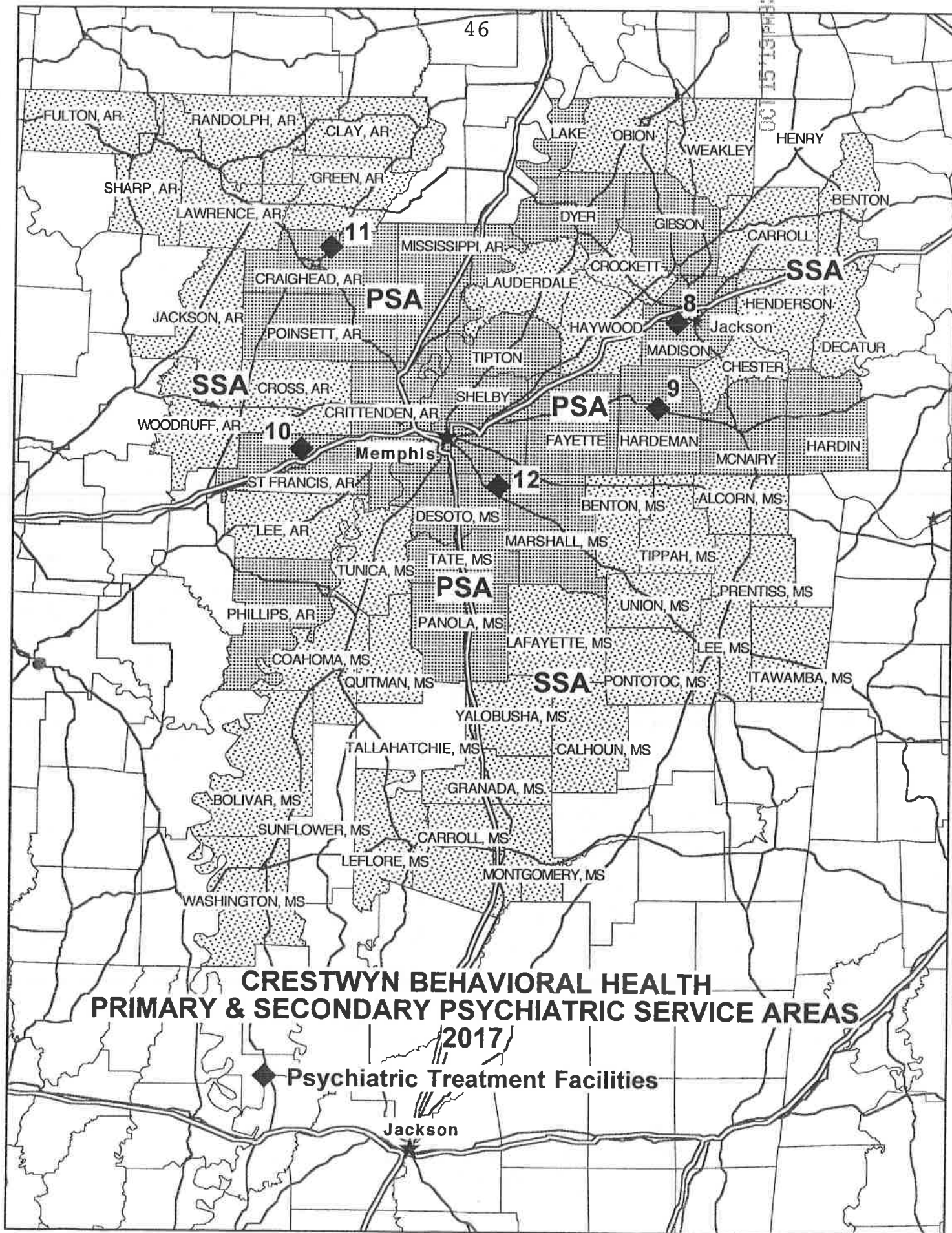
Forrest City Medical Center	Unit of M/S Hospital	St Francis AR	67.3 miles	68 min.
St.Bernard Behavioral Health	Unit of M/S Hospital	Craighead AR	91.9 miles	89 min.
Great River Medical Center	Unit of M/S Hospital	Mississippi AR	90.9 miles	92 min.
Parkwood Behavioral Health	Psychiatric Hospital	DeSoto MS	11.2 miles	21 min.
Alliance Healthcare System	Unit of M/S Hospital	Marshall MS	30.4 miles	37 min.
Tri-Lake Medical Center	Unit of M/S Hospital	Panola MS	72.6 miles	68 min.
North Oak Regional Medical Center	Unit of M/S Hospital	Tate MS	50.0 miles	50 min.

Source: Google Maps, 9-26-13 & 10-18-13

Addresses of Providers in Table Above	
Behavioral Health Care Center (approved/unimplemented)	Second Ave. North & Pear Avenue, Memphis, TN 38105
Community Behavioral Health (closed)	135 Pauline Street, Memphis, TN 38105
Delta Medical Center	3000 Getwell Road, Memphis, TN 38118
Lakeside Behavioral Health	2911 Brunswick Road, Memphis, TN 38133
Memphis Mental Health Institute (State Hospital)	951 Court Avenue, Memphis, TN 38103
Methodist Univ. Healthcare	1265 Union Avenue, Memphis, TN 38104
Saint Francis Hospital	5959 Park Avenue, Memphis, TN 38119
Pathways of Tennessee	238 Summar Drive, Jackson, TN 38301
Western Mental Health Institute (State Hospital)	11100 US Highway 64, Bolivar, TN 38008
Forrest City Medical Center	1601 New Castle Road, Forrest City, AR 72335
St.Bernard Behavioral Health	2712 E. Johnson Avenue, Jonesboro, AR 72401
Great River Medical Center	1520 North Division Street, Blytheville, AR 72315
Parkwood Behavioral Health	8135 Goodman Road, Olive Branch, MS 38654
Alliance Healthcare System	1430 Highway 4 East, Holly Springs, MS 38635
Tri-Lake Medical Center	303 Medical Center Drive, Batesville, MS 38606
North Oak Medical Center	401 Getwell Drive, Senatobia, MS 38668







Key to Maps of Acute Psychiatric Hospital Beds in the 20-County Primary Service Area

Shelby County

1. Behavioral Health Care Center (16-bed geropsychiatric hospital, approved six years ago; unimplemented)
2. Community Behavioral Health (psychiatric hospital, closed in 2013)
3. Delta Medical Center (Acadia Healthcare general hospital with hospital-based psychiatric units)
4. Lakeside Behavioral Health (psychiatric hospital)
5. Memphis Mental Health Institute (State hospital)
6. Methodist University Healthcare (hospital-based psychiatric unit)
7. Saint Francis Hospital (hospital-based psychiatric unit)

Other Counties in Tennessee, Arkansas, Mississippi

8. Pathways of Tennessee, Jackson, Madison Co., TN (freestanding psychiatric hospital)
9. Western Mental Health Institute, Bolivar, Hardeman Co., TN (State psychiatric hospital)
10. Forrest City Medical Center, Forrest City, St. Francis Co., AR (hospital-based unit)
11. St. Bernard Behavioral Health, Jonesboro, Craighead Co., AR (hospital-based unit)
12. Great River Medical Center, Blytheville, Mississippi Co., AR (hospital-based unit)
13. Parkwood Behavioral Health, Olive Branch, DeSoto Co., MS (psychiatric hospital)
14. Alliance Healthcare, Holly Springs, Marshall Co., MS (hospital-based unit)
15. Tri-Lake Medical Center, Batesville, Panola Co., MS (hospital-based unit)
16. North Oak Medical Center, Senatobia, Tate Co., MS (hospital-based unit)

Shelby County occupies the southwest corner of Tennessee, bounded on the west by the Mississippi River and on the south by the State of Mississippi. It is Tennessee's largest regional acute care referral center, serving all of West Tennessee and many counties in adjoining and nearby States.

Since the 1980's, the Shelby County population has grown rapidly in its northeastern and southeastern sectors, centering on the communities of Bartlett, Germantown, and Collierville. Growth has also been strong to the south, across the Mississippi state line in the areas of Southaven and Horn Lake along I-55.

During the last three decades of high growth, acute care hospitals originally built in "downtown" Memphis implemented a number of Certificates of Need to relocate or to add beds and services to these expanding communities, to keep healthcare services accessible. Physician offices multiplied around those new facilities. These communities now include large new hospitals of the Baptist, Methodist, and Tenet healthcare systems (opened in 1985, 1993, and 2004 respectively), and large numbers of outpatient facilities and medical office buildings. That orderly development of healthcare services--enabled by multiple CON approvals--has been both a response to, and stimulus for, the continuing development of those areas of Shelby County.

However, there has been a lag in orderly redistribution of acute inpatient mental health services to these growth areas. Almost all mental health inpatient beds have remained in the central or northeast side of the Memphis area for years. Comprehensive psychiatric facilities are not available in the southeast sector of the county.

This project will fill that gap. It will be a comprehensive psychiatric and chemical dependency inpatient hospital located in Germantown, in southeast Shelby County. It will be affiliated with Acadia's existing facility in Shelby County, Delta Medical Center, which operates both medical-surgical and psychiatric programs close to I-240 on the south side of Memphis. With both a comprehensive psychiatric hospital (Crestwyn) and a general acute care hospital with psychiatric programs (Delta), Acadia's two-hospital system will be one of only two providers in its service area who offer both acute medical and acute psychiatric care for adolescents and adults of all ages.

(b) Comprehensive Inpatient Mental Healthcare

When Crestwyn opens, Crestwyn and Delta Medical Center (both owned by Acadia Healthcare) will form a coordinated two-facility system--capable of meeting medical needs as well as psychiatric needs of patients. Crestwyn will be able to address psychiatric and chemical dependency needs of adolescents and adults; Delta will continue to serve adult patients with both psychiatric and general acute medical care needs.

This is a unique advantage. None of the primary service area's four freestanding psychiatric hospitals--two in Shelby County; two in rural counties--is able to serve adult patients who also have general acute medical care needs. That is often an issue to referring hospitals and crisis centers. In addition, only one hospital-based psychiatric program in West Tennessee (St. Francis Hospital in Memphis) offers a range of ages and conditions that is as wide as that proposed for Crestwyn.

(c) Improved Financial Accessibility

Crestwyn's entry into the market will provide some additional opportunity for low-income persons to be served. In its second year of operation, Acadia conservatively projects that Crestwyn's payor mix will include 10% self-pay and generate \$248,243 in charity care, which is 1% of gross revenues. In addition it will have a 15% TennCare payor mix.

This projection is validated by Acadia's documented policies at Delta Medical Center, which in 2012 reported a payor mix of 11% self-pay, and charity care of \$5,430,625, which is 4.6% of gross revenues.

By contrast, the only other psychiatric hospital in Memphis with a range of services comparable to Crestwyn is a facility five times as large, with 2012 gross revenues almost five times what is projected for Crestwyn in its second year of operation. That much larger facility's charity care was less than one-half of one percent of gross revenues and its self-pay payor mix was only 1.1% of gross revenues.

(d) Cooperative Planning With Other Area Providers

Acadia joined the market only recently, when it acquired Delta Medical Center--a struggling community hospital on the verge of bankruptcy/closure--in late January 2013. In that short time, however, Acadia has seen the value of planning this type of project in concert with other area hospitals who recognize the need to re-distribute underused psychiatric resources from older areas to new growth areas as Shelby County population surges outward to the east. The involvement of Baptist Health Services, and the potential involvement of at least one other hospital system in the county, mark the first time that competing Memphis hospital systems have joined together to develop a needed hospital, and to do that in a way consistent with sound health planning goals.

(e) Potential Teaching Affiliations

Since entering the Memphis market in January 2013, Acadia has seen the importance of participation in the training of clinical professionals in psychiatric care, and has initiated a series of meetings with the University of Tennessee College of Medicine in Memphis, to explore establishing health professional training programs at Delta Medical Center and Crestwyn Behavioral Health. Those discussions are ongoing, and they will require some time to complete. But they demonstrate Acadia's commitment to give back to the community, if granted the opportunity to serve the community's patients.

**B.II.D. DESCRIBE THE NEED TO CHANGE LOCATION OR REPLACE AN EXISTING FACILITY.**

Not applicable.



**B.II.E. DESCRIBE THE ACQUISITION OF ANY ITEM OF MAJOR MEDICAL EQUIPMENT (AS DEFINED BY THE AGENCY RULES AND THE STATUTE) WHICH EXCEEDS A COST OF \$1.5 MILLION; AND/OR IS A MAGNETIC RESONANCE IMAGING SCANNER (MRI), POSITRON EMISSION TOMOGRAPHY (PET) SCANNER, EXTRACORPOREAL LITHOTRIPTER AND/OR LINEAR ACCELERATOR BY RESPONDING TO THE FOLLOWING:**

**1. For fixed site major medical equipment (not replacing existing equipment):**

- a. Describe the new equipment, including:**
  - 1. Total Cost (As defined by Agency Rule);**
  - 2. Expected Useful Life;**
  - 3. List of clinical applications to be provided; and**
  - 4. Documentation of FDA approval.**
- b. Provide current and proposed schedule of operations.**

**2. For mobile major medical equipment:**

- a. List all sites that will be served;**
- b. Provide current and/or proposed schedule of operations;**
- c. Provide the lease or contract cost;**
- d. Provide the fair market value of the equipment; and**
- e. List the owner for the equipment.**

**3. Indicate applicant's legal interest in equipment (e.g., purchase, lease, etc.) In the case of equipment purchase, include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.**

Not applicable; no major medical equipment is proposed.

**B.III.A. ATTACH A COPY OF THE PLOT PLAN OF THE SITE ON AN 8-1/2" X 11" SHEET OF WHITE PAPER WHICH MUST INCLUDE:**

- 1. SIZE OF SITE (IN ACRES);**
- 2. LOCATION OF STRUCTURE ON THE SITE;**
- 3. LOCATION OF THE PROPOSED CONSTRUCTION; AND**
- 4. NAMES OF STREETS, ROADS OR HIGHWAYS THAT CROSS OR BORDER THE SITE.**

**PLEASE NOTE THAT THE DRAWINGS DO NOT NEED TO BE DRAWN TO SCALE. PLOT PLANS ARE REQUIRED FOR ALL PROJECTS.**

See Attachment B.III.A.

**B.III.B.1. DESCRIBE THE RELATIONSHIP OF THE SITE TO PUBLIC TRANSPORTATION ROUTES, IF ANY, AND TO ANY HIGHWAY OR MAJOR ROAD DEVELOPMENTS IN THE AREA. DESCRIBE THE ACCESSIBILITY OF THE PROPOSED SITE TO PATIENTS/CLIENTS.**

The table on the following page provides drive times and distances from the Crestwyn site to the principal communities in the twenty-county primary service area (PSA). The Crestwyn facility, to be operated in coordination with Delta Medical Center's psychiatric program, is expected to have the same psychiatric service area as Delta-- a very wide region in three States around Memphis.

Half (10) of the PSA counties' principal communities are approximately one-half to one hour's drive from the site. Another 30% (6) are close to 1.5 hours' drive time. Only 20% (4 counties) are closer to 2.0 or more hours' drive time.

The service area map in this application shows that the primary service area counties have access to Crestwyn via good highways. Via Winchester Road, Crestwyn's site is approximately 15 minutes' drive from I-240, the interstate loop around Memphis, crossed by numerous Interstate and U.S. highways radiating out in all directions: U.S. 51, U.S. 79, I-40, and U.S. 64 northwest and west across West Tennessee; U.S. 72 and U.S. 78 southeast across Mississippi; U.S. 61 and I-55 south across Mississippi; U.S. 64, I-40 and U.S. 79 West and southwest across Arkansas; and U.S. 61, U.S. 63, and I-55 north into Arkansas.

Crestwyn also has access to I-40 Exit 16, via Highway 177 North and Poplar Avenue / Winchester Road. That route allows patients driving in on I-40 from rural West Tennessee to leave I-40 and head due south into Germantown, before reaching heavy traffic on the I-240 loop around Memphis.



**Table Eight: Mileage and Drive Times  
Between Project and Major Communities in the Primary Service Area**

<b>Community</b>	<b>County &amp; State (Patient Origin Ranking)</b>	<b>Distance in Miles</b>	<b>Drive Time in Minutes</b>
Marion	Crittenden, AR (3)	34.4	39"
Blytheville	Mississippi, AR (7)	89.9	89"
Jonesboro	Craighead, AR (11)	92.7	92"
Helena	Phillips, AR (18)	83.7	92"
Forrest City	Saint Francis, AR (16)	69.7	70"
Harrisburg	Poinsett, AR (17)	79.1	80"
Horn Lake	DeSoto, MS (2)	27.8	33"
Holly Springs	Marshall, MS (6)	30.2	37"
Senatobia	Tate, MS (12)	50.4	51"
Batesville	Panola, MS (18)	65.1	64"
Memphis	Shelby, TN (1)	24.0	28"
Jackson	Madison, TN (4)	75.9	87"
Somerville	Fayette, TN (5)	36.3	47"
Bolivar	Hardeman, TN (8)	57.0	63"
Covington	Tipton, TN (9)	49.2	66"
Trenton	Gibson, TN (10)	98.7	111"
Tiptonville	Lake, TN (13)	112.0	141"
Dyersburg	Dyer, TN (14)	86.3	107"
Savannah	Hardin, TN (19)	104.0	114"
Selmer	McNairy, TN (20)	80.4	89"

<b>Community</b>	<b>County &amp; State (Ranked in Order of Patient Referrals)</b>	<b>Distance in Miles</b>	<b>Drive Time in Minutes</b>
1. Memphis	Shelby, TN	24.0	28"
2. Horn Lake	DeSoto, MS	27.8	33"
3. Marion	Crittenden, AR	34.4	39"
4. Jackson	Madison, TN	75.9	87"
5. Somerville	Fayette, TN	36.3	47"
6. Holly Springs	Marshall, MS	30.2	37"
7. Blytheville	Mississippi, AR	89.9	89"
8. Bolivar	Hardeman, TN	57.0	63"
9. Covington	Tipton, TN	49.2	66"
10. Trenton	Gibson, TN	98.7	111"
11. Jonesboro	Craighead, AR	92.7	92"
12. Senatobia	Tate, MS	50.4	51"
13. Tiptonville	Lake, TN	112.0	141"
14. Dyersburg	Dyer, TN	86.3	107"
15. Helena	Phillips, AR	83.7	92"
16. Forrest City	Saint Francis, AR	69.7	70"
17. Harrisburg	Poinsett, AR	79.1	80"
18. Batesville	Panola, MS	65.1	64"
19. Savannah	Hardin, TN	104.0	114"
20. Selmer	McNairy, TN	80.4	89"

Source: Google Maps, 9-26-13

**B.IV. ATTACH A FLOOR PLAN DRAWING FOR THE FACILITY WHICH INCLUDES PATIENT CARE ROOMS (NOTING PRIVATE OR SEMI-PRIVATE), ANCILLARY AREAS, EQUIPMENT AREAS, ETC.**

See attachment B.IV.

**IV. FOR A HOME CARE ORGANIZATION, IDENTIFY**

- 1. EXISTING SERVICE AREA (BY COUNTY);**
- 2. PROPOSED SERVICE AREA (BY COUNTY);**
- 3. A PARENT OR PRIMARY SERVICE PROVIDER;**
- 4. EXISTING BRANCHES AND/OR SUB-UNITS; AND**
- 5. PROPOSED BRANCHES AND/OR SUBUNITS.**

Not applicable. The application is not for a home care organization.

**C(I) NEED****C(I).1. DESCRIBE THE RELATIONSHIP OF THIS PROPOSAL TO THE IMPLEMENTATION OF THE STATE HEALTH PLAN AND TENNESSEE'S HEALTH: GUIDELINES FOR GROWTH.**

**A. PLEASE PROVIDE A RESPONSE TO EACH CRITERION AND STANDARD IN CON CATEGORIES THAT ARE APPLICABLE TO THE PROPOSED PROJECT. DO NOT PROVIDE RESPONSES TO GENERAL CRITERIA AND STANDARDS (PAGES 6-9) HERE.**

**B. APPLICATIONS THAT INCLUDE A CHANGE OF SITE FOR A HEALTH CARE INSTITUTION, PROVIDE A RESPONSE TO GENERAL CRITERION AND STANDARDS (4)(a-c).**

The Crestwyn project involves relocating, replacing, and repurposing existing licensed beds in the same county. Moreover, most (if not all) of those beds will be relocated from Acadia's other hospital in the county (Delta Medical Center). No additional hospital beds will be created.

Although the old 2002 State Guidelines for total hospital beds currently identify excess bed capacity in Shelby County and the primary service area around it, CON applications to relocate *existing* hospital beds *within* the same county have typically been granted CON approval. This began several decades ago, with the move of major blocs of downtown general hospital beds into suburban Germantown, Collierville, and Bartlett. As recently as 2012, approval was granted for relocation of "surplus" rehabilitation beds from one sector of Germantown to the other.

The applicant believes that Crestwyn Behavioral Health--which will be entirely a bed relocation project--should also be approved. It modernizes healthcare resources and moves them to a growth sector of the county that does not yet have this type of hospital.

**Project-Specific Review Criteria--Acute Care Bed Services**

**1. The following methodology should be used and the need for hospital beds should be projected four years into the future from the current year...(guidelines detail the steps of the bed need projection methodology; see pp. 15-16 of Guidelines for Growth.)**

Following the responses to the Guidelines for hospital beds is an abbreviated copy of the Tennessee Department of Health's October 2012 projection of Tennessee counties' need for hospital beds, 2013-2017. It shows a large "surplus" of beds in Shelby County.

However, Guideline 1 should not be relevant or applied to this project, because the project does not propose to create "new" hospital beds within the meaning of the Guideline -- it will not increase existing hospital bed complements in the service area.

**2. New hospital beds can be approved in excess of the "need standard for a county" if the following criteria are met:**

The criteria under this Guideline are not applicable. Whether or not the project proceeds with two, or three, participating hospitals, the project will delicense the same number of beds in Shelby County that it will construct in Shelby County. There would be no increase in area hospitals' total licensed bed complements, within the meaning of "new hospital beds" in this criterion, as historically applied. However, relevant information is provided below for each criterion.

**a) All existing hospitals in the projected service area have an occupancy level greater than or equal to 80% for the most recent joint annual report. Occupancy should be based on the number of licensed beds rather than on staffed beds.**

The occupancy of licensed service area hospital beds is not 80% or higher.

**b) All outstanding new acute care bed CON projects in the proposed service area are licensed.**

Unimplemented CN0711-089 was granted to Behavioral Healthcare to build a 16-bed geropsychiatric hospital in central Shelby County. It was issued six years ago. However, the addition of those 16 beds will not offset the 65 psychiatric hospital beds that have recently closed in central Shelby County.

The only other unimplemented acute care bed projects in the primary service area with final uncontested approval, according to the HSDA, are as follows. None involves psychiatric beds.

- CN0603-019    Memphis Long Term Care Specialty Hospital  
New 24-bed Long Term Acute Care hospital in downtown Memphis.
- CN0809-074    Saint Francis Hospital--Bartlett  
Addition of 96 hospital beds to this hospital in northeast Shelby County
- CN1208-037    Regional Medical Center at Memphis (The MED)  
Conversion of 10 medical-surgical beds to rehabilitation beds

**c) The Health Facilities Agency may give special consideration to acute care bed proposals for specialty health service units in tertiary care regional referral hospitals.**

“Tertiary care” is not defined in this criterion. However, this application is for a “specialty health service”; and it is from a provider (Acadia Healthcare) whose Delta Medical Center in Memphis is a “regional referral hospital” for mental healthcare. In 2012, Delta drew psychiatric admissions from a very large region--20 counties in its primary service area alone; and 68 counties altogether. That was by far the widest referral area of any acute psychiatric provider in West Tennessee. The Crestwyn facility will draw from the same region.

For those reasons, the project is consistent with the practical meaning of this criterion, and merits special consideration by the HSDA.

COUNTY	ACUTE-CARE BED NEED		PROJECTIONS FOR 2013 AND 2017		SURPLUS	
	ADC-2017	NEED 2017	LICENSED	STAFFED	LICENSED	STAFFED

Anderson	142	178	301	255	-123	-77
Beford	26	38	60	60	-22	-22
Benton	6	12	25	12	-13	0
Bledsoe	7	13	25	25	-12	-12
Blount	158	198	304	238	-106	-40
Bradley	113	141	351	207	-210	-66
Campbell	58	75	120	97	-45	-22
Cannon	22	32	60	50	-28	-18
Carroll	24	35	115	67	-80	-32
Carter	44	59	121	79	-62	-20
Chaatham	5	9	12	12	-3	-3
Chester	.	.	.	.	.	.
Claiborne	24	36	85	39	-49	-3
Clay	13	22	36	34	-14	-12
Cocke	17	27	74	38	-47	-11
Coffee	95	119	214	154	-95	-35
Crockett	.	.	.	.	.	.
Cumberland	73	93	189	133	-96	-40
Davidson	2,312	2,890	3,685	2,998	-795	-108
Decatur	8	14	40	27	-26	-13
Dekalb	13	22	71	56	-49	-34
Dickson	58	76	157	122	-81	-46
Dyer	47	64	225	120	-161	-56
Fayette	3	8	46	10	-38	-2
Fentress	20	31	85	54	-54	-23
Franklin	67	86	152	110	-66	-24
Gibson	16	25	209	90	-184	-65
Giles	20	31	95	81	-64	-50
Grainger	.	.	.	.	.	.
Greene	76	97	240	170	-143	-73
Grundy	.	.	.	.	.	.
Hamblen	121	152	302	226	-150	-74
Hamilton	1,106	1,382	1,596	1,236	-214	146
Hancock	2	6	10	10	-4	-4
Hardeman	3	6	51	21	-45	-15
Hardin	20	31	58	49	-27	-18
Hawkins	15	24	50	46	-26	-22
Haywood	7	13	62	36	-49	-23
Henderson	9	15	45	45	-30	-30
Henry	47	63	142	101	-79	-38
Hickman	3	8	25	25	-17	-17
Houston	12	19	35	35	-16	-16
Humphreys	5	10	25	25	-15	-15
Jackson	.	.	.	.	.	.
Jefferson	26	38	58	58	-20	-20
Johnson	0	1	2	2	-1	-1
Knox	1,288	1,609	2,167	1,758	-558	-149
Lake	.	.	.	.	.	.
Lauderdale	9	16	25	25	-9	-9
Lawrence	30	43	99	80	-56	-37
Lewis	.	.	.	.	.	.
Lincoln	22	33	59	59	-26	-26

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ACUTE-CARE BED NEED PROJECTIONS FOR 2013 AND 2017

COUNTY	PROJECTED		2011 ACTUAL BEDS		SHORTAGE/SURPLUS	
	ADC-2017	NEED 2017	LICENSED	STAFFED	LICENSED	STAFFED
Loudon	19	29	50	40	-21	-11
McMinn	49	65	190	111	-125	-46
McNairy	15	24	45	45	-21	-21
Macon	10	17	25	25	-8	-8
Madison	504	629	787	747	-158	-118
Marion	11	19	70	63	-51	-44
Marshall	3	6	25	12	-19	-6
Maury	134	167	255	206	-88	-39
Meigs	.	.	.	.	.	.
Monroe	33	46	59	59	-13	-13
Montgomery	137	172	270	220	-98	-48
Moore	.	.	.	.	.	.
Morgan	.	.	.	.	.	.
Obion	28	41	173	85	-132	-44
Overton	49	65	114	82	-49	-17
Perry	19	29	53	39	-24	-10
Pickett	.	.	.	.	.	.
Polk	.	.	25	25	-25	-25
Putnam	169	211	247	242	-36	-31
Rhea	12	20	25	25	-5	-5
Roane	21	31	105	36	-74	-5
Robertson	54	71	109	66	-38	5
Rutherford	249	312	387	387	-75	-75
Scott	5	10	25	14	-15	-4
Sequatchie	.	.	.	.	.	.
Sevier	37	51	79	69	-28	-18
Shelby	2,713	3,391	4,081	3,117	-690	274
Smith	23	35	88	58	-53	-23
Stewart	.	.	.	.	.	.
Sullivan	718	897	1,056	789	-159	108
Sumner	133	167	341	236	-174	-69
Tipton	15	24	100	44	-76	-20
Tousdale	7	13	25	21	-12	-8
Unicoi	13	21	48	10	-27	11
Union	.	.	.	.	.	.
Van Buren	.	.	.	.	.	.
Warren	39	54	125	50	-71	4
Washington	472	590	581	581	9	9
Wayne	6	12	80	32	-68	-20
Weakley	23	34	100	65	-66	-31
White	18	29	60	44	-31	-15
Williamson	101	126	185	185	-59	-59
Wilson	136	170	245	245	-75	-75
TN PSA 10 COUNTIES (SHADED)			5,602		-1,400	

Source: Office of Health Statistics 10/29/12

Project-Specific Review Criteria--Psychiatric Inpatient Services**A. Need**

**1. The population-based estimate of the total need for psychiatric inpatient services is 30 beds per 100,000 general population (using population estimates prepared by the Department of Health and applying the data in the Joint Annual Reports).**

Table Nine below, following responses A1-A3, projects the total CY2017 need for psychiatric inpatient beds at a rate of 30 beds per 100,000 population--applied to adolescent, adult, and elderly population cohorts. It does not include children below 13 years of age. The population is the CY2017 primary service area population in three States, taken from Table Thirteen of the application. The projected Tennessee population is from the Tennessee Department of Health's most current series.

These primary service area age groups have a total need for approximately 470 beds, of which approximately 333 are needed for the ten Tennessee counties in the primary service area.

**2 For adult persons, the age group of 18 years and older should be used in calculating the estimated total number of beds needed.**

As shown in Table Nine, primary service area adults 18+ years of age need approximately 426 beds (351 for ages 18-64 plus 75 for ages 65+). Of these, approximately 306 are needed in Tennessee (250 for ages 18-64 plus 55.7 for ages 65+).

**3. For child inpatients under age 13, and if adolescent program the age group of 13-17 should be used.**

As shown in Table Nine, primary service area adolescents ages 13-17 need approximately 44 beds. Of these, the Tennessee PSA counties need approximately 27 beds.



**Table Nine (Supplemental): Psychiatric Bed Need In Primary Service Area Under State Guidelines for Growth  
CY2017**

COUNTY	STATE	2017 POPULATION			2017 PSYCHIATRIC BED NEED UNDER CY2000 TN GUIDELINES				STATE TOTALS	
		ADOLESCENT 13-17	ADULT 18-64	ADULT 65+	ADOLESCENT 13-17	ADULT 18-64	ADULT 65+	ADOLESC + ADULT	ADOLESC + ADULT	
CRAIGHEAD	AR	9,103	67,797	13,143	2.73	20.34	3.94	27.01		
CRITTENDEN	AR	5,974	28,761	5,145	1.79	8.63	1.54	11.96		
MISSISSIPPI	AR	5,016	25,777	5,292	1.50	7.73	1.59	10.83		
PHILLIPS	AR	2,110	10,451	2,745	0.63	3.14	0.82	4.59		
POINSETT	AR	1,804	14,145	3,747	0.54	4.24	1.12	5.91		AR
ST FRANCIS	AR	1,888	17,236	3,276	0.57	5.17	0.98	6.72		67.02
DESOTO	MS	20,003	110,022	18,108	6.00	33.01	5.43	44.44		
MARSHALL	MS	3,433	22,525	4,490	1.03	6.76	1.35	9.13		
PANOLA	MS	4,206	20,458	4,307	1.26	6.14	1.29	8.69		MS
TATE	MS	3,459	19,160	4,324	1.04	5.75	1.30	8.08		70.35
DYER	TN	2,620	22,816	6,705	0.79	6.84	2.01	9.64		
FAYETTE	TN	1,937	27,113	7,815	0.58	8.13	2.34	11.06		
GIBSON	TN	3,816	30,632	9,075	1.14	9.19	2.72	13.06		
HARDEMAN	TN	1,536	16,511	4,484	0.46	4.95	1.35	6.76		
HARDIN	TN	1,602	15,138	5,719	0.48	4.54	1.72	6.74		
LAKE	TN	346	7,167	1,208	0.10	2.15	0.36	2.62		
MADISON	TN	6,521	61,273	15,493	1.96	18.38	4.65	24.99		
McNAIRY	TN	1,804	15,795	5,390	0.54	4.74	1.62	6.90		
SHELBY	TN	65,279	594,500	120,783	19.58	178.35	36.23	234.17		TN
TIPTON	TN	4,324	42,311	9,083	1.30	12.69	2.72	16.72		332.64
PSA TOTALS		146,781	1,169,588	250,331	44.03	350.88	75.10	470.01		470.01
TN TOTALS		89,785	833,256	185,755	26.9	250.0	55.7	332.6		

Source: TDH population projections by age cohort; Mississippi and Arkansas from Table Thirteen. Multiplied by Guideline of 30 beds per 1000 population.

4. These estimates for total need should be adjusted by the existent staffed beds operating in the area, as counted by the Department of Health in the Joint Annual Report.

Following this page are Tables Eleven-A, -B, and -C. They contain the applicant's most current information on staffed beds in the service area. The Mississippi and Arkansas data is very limited, no current beyond 2010, and does not provide staffed bed data. So the table uses their licensed beds, which may overstate bed availability as defined by this criterion #4. Also, for the reviewer's information the table shows 2013 staffed and available beds in Tennessee, based on documented bed closures too recent to be shown in Joint Annual Reports.

The Guideline methodology (based on staffed beds) projects a need for 470 acute psychiatric beds for adults and adolescents residing in these 20 counties. This need consists of approximately 333 beds for Tennessee patients, 70 beds for Mississippi patients, and 67 beds for Arkansas patients. *Note: This does not include bed need for residents in the other 48 counties in the secondary service area, many of whom come to Memphis for care.*

Tables Eleven-A through -C show a maximum service area supply of 1,037 staffed beds--764 currently in Tennessee, 175 in Mississippi, and 98 in Arkansas. In the Tennessee portion of the primary service area, there is a perceived surplus of 431 beds in the Tennessee portion of the primary service area (764 existing staffed beds - 333 needed beds). Depending on how many hospitals join this project, Crestwyn will add either (a) no psychiatric beds, or (b) 40 psychiatric beds. Crestwyn therefore will increase areawide psychiatric bed complements by either none at all, or by only 5%. That is an insignificant impact, relative to its benefits to the area.

<b>Table Ten: Guidelines Projection of Net Psychiatric Hospital Bed Need and the Project's Impact on Psychiatric Bed Complements in the Tennessee Service Area</b>				
<b>Area</b>	<b>Beds Needed 2017</b>	<b>Maximum Staffed Beds 2013</b>	<b>Bed Surplus 2017</b>	<b>Project Impact on Area Beds if 0-40 Beds added</b>
TN PSA--10 Co.	333	764	431	0 - 5%

*Source: Tables Nine, and Eleven-A through -C.*

Supplemental Table Eleven-B: Acute Psychiatric Beds Crestwyn Primary Service Area--Arkansas & Mississippi 2012					
Arkansas & Mississippi Facilities					
State	Facility Name	County	Staffed Psychiatric Beds	Assigned/ Licensed Psychiatric Beds	
AR	St. Bernard's Medical Center	Craighead	na	80	
AR	Great River Medical Center	Mississippi	na	20	
AR	Forrest City Medical Center	St. Francis	na	18	
MS	Parkland Behavioral Health- Psychiatric	DeSoto	na	74	
MS	Parkland Behavioral Health-Chem. Dependence	DeSoto	na	14	
MS	Tri-Lakes Medical Center- Psychiatric	Panola	na	32	
MS	Tri-Lakes Medical Center- Chem. Dependence	Panola	na	23	
MS	Alliance Healthcare System	Marshall	na	20	
MS	North Oaks Regional Medical Center	Tate	na	12	
AR/ MS PRIMARY SERVICE AREA			na	273	

Sources: Arkansas Department of Health; Mississippi State Health Plan

Table Eleven-C: Crestwyn Primary Service Area (3 States) Currently Staffed Psychiatric Beds in 2013		
TENNESSEE		764
ARKANSAS		98
MISSISSIPPI		175
PRIMARY SERVICE AREA TOTAL		1037

Supplemental Table Eleven-A: Acute Psychiatric Beds Staffed Crestwyn Primary Service Area--Tennessee 2012-2013					
2012 Joint Annual Reports of Hospitals					
State	Facility Name	County	Staffed Psychiatric Beds	Assigned/ Licensed Psychiatric Beds	
TN	Community Behavioral Health--psych beds	Shelby	19	50	
TN	Lakeside Behavioral Health System--psych beds	Shelby	290	290	
TN	Lakeside Behavioral Health System--CD beds	Shelby	15	15	
TN	Memphis Mental Health Institute	Shelby	75	75	
TN	Delta Medical Center	Shelby	90	90	
TN	Methodist University Healthcare--psych beds	Shelby	34	34	
TN	St. Francis Hospital--psych beds	Shelby	102	102	
	Shelby County Subtotal		606	656	
TN	Western Mental Health Institute	Hardeman	150	187	
TN	Pathways of Tennessee	Madison	25	25	
TN PRIMARY SERVICE AREA			781	868	

Additional Data on Changes in 2013				
State	Facility Name	County	2013 Staffed Psychiatric Beds	2013 AVAILABLE Psychiatric Beds
TN	Community Behavioral Health--psych beds	Shelby	0	0
TN	Lakeside Behavioral Health System--psych beds	Shelby	290	290
TN	Lakeside Behavioral Health System--CD beds	Shelby	15	15
TN	Memphis Mental Health Institute	Shelby	60	60
TN	Delta Medical Center	Shelby	90	90
TN	Methodist University Healthcare--psych beds	Shelby	34	34
TN	St. Francis Hospital--psych beds	Shelby	102	102
	Shelby County Subtotal		591	591
TN	Western Mental Health Institute	Hardeman	150	187
TN	Pathways of Tennessee	Madison	23	25
TN PRIMARY SERVICE AREA TOTALS			764	803

Sources: 1. TDH Joint Annual Reports of Hospitals, 2010-2012 (Provisional)  
 2. 2013 staffed and available bed data at CBH from DMHSAS Licensing & website  
 3. 2013 staffed and available bed data at MMHI from CEO on 10-7-13.  
 25 licensed beds are now occupied by SE Mental Health Center staff, long-term.  
 4. Hospital-based units in 2013 are assumed to be staffed at 2012 levels.

**B. Service Area**

**1. The geographic service area should be reasonable and based on an optimal balance between population density and service proximity of the Community Service Agency.**

The primary and secondary service areas are the actual 2012 psychiatric admissions service area of Delta Medical Center in Memphis, which is an affiliate of the applicant (both are owned by Acadia Healthcare). Delta's and Crestwyn's psychiatric operations will be coordinated by local administrators, and are expected to have identical service areas.

**2. The relationship of the socio-demographics of the service area, and the projected population to receive services, should be considered. The proposal's sensitivity to and responsiveness to the special needs of the service area should be considered including accessibility to consumers, particularly women, racial and ethnic minorities, low income groups, and those needing services involuntarily.**

Crestwyn will serve adolescents and adults of all ages, without discrimination with regard to gender or ethnicity.

It will serve low-income TennCare and Medicare patients. It will admit self-pay and charity patients, as indicated in Acadia's income and expense projections in this application.

Crestwyn will accept involuntary admissions from the judicial system.

**C. Relationship to Existing Applicable Plans**

**1. The proposal's relationship to policy as formulated in state, city, county, and/or regional plans and other documents should be a significant consideration.**

State Guidelines for Growth, on Guidelines page 5, set forth positions that are supported by this project. They support delivery of services to the most medically appropriate settings, which this acute care service provides. The Guidelines support institutions that provide care to the elderly and this project includes a geriatric program. They recommend that preference be given to patient accessibility and availability, both of which will be improved by the opening of this project in the southeast Shelby County.

**2. The proposal's relationship to underserved geographic areas and underserved population groups as identified in state, city, county and/or regional plans and other documents should be a significant consideration.**

The project's extensive service area, extending from Memphis across rural parts of three States, includes numerous areas considered medically underserved.

**3. The impact of the proposal on similar services supported by state appropriations should be assessed and considered.**

The applicant anticipates that both State mental health hospitals in the service area will continue to support this project.

**4. The proposal's relationship to whether or not the facility takes voluntary and/or involuntary admissions, and whether the facility serves acute and/or long-term patients, should be assessed and considered.**

The applicant will accept involuntary commitments to all four of its units.

**5. The degree of projected financial participation in the Medicare and TennCare programs should be considered.**

Crestwyn will contract with all area TennCare MCO's that cover psychiatric and chemical dependency services. Its projected payor mix for TennCare is 15%. Crestwyn will serve aged adults; its projected payor mix for Medicare is 25%. (These percentages are calculated on gross patient revenues.) These are conservative projections based on the experience of Acadia at Delta Medical Center in Memphis. Crestwyn will seek contracts with the Medicaid programs of Mississippi and Arkansas.

#### **D. Relationship to Existing Similar Services in the Area**

**1. The area's trends in occupancy and utilization of similar services should be considered.**

Supplementary Tables Fourteen-A and -B in this application provide utilization and occupancy data for inpatient psychiatric beds in the primary service area (PSA), and in Shelby County itself. Table Fourteen-A identified significant increases in Shelby County psychiatric bed days from 2010 to 2012. Shelby County days increased 7.1% in that two-year period--from 135,076 days to 144,627 days. If that trend continues, then in

five years the county will be highly utilizing all of the 591 licensed behavioral beds that it currently has in CY2013.

Five-Year Projection of Shelby County Occupancies Most Recent Two-year Growth Rate in Days of Care					
Year	Growth Rate	Pat. Days	ADC	Current Beds	Occupancy
2012	7%	144,627	396	591	67.0%
2014	7%	154,751	424	591	71.7%
2016	7%	165,584	454	591	76.8%
2018	7%	177,175	485	591	82.0%

## **2. Accessibility to specific special need groups should be an important factor.**

The applicant has committed Crestwyn to provide significant levels of charity care, and has demonstrated its commitment to care for lower-income patients through its services to them at Delta Medical Center.

### **E. Feasibility**

**The ability of the applicant to meet Tennessee Department of Mental Health licensure requirements (related to personnel and staffing for psychiatric inpatient facilities) should be considered.**

The applicant is aware of the licensure requirements for staffing this type of facility, and is committed to meet or exceed them. All personnel delivering patient care will be appropriately qualified and supervised. Psychiatrists will provide medical direction to all four of Crestwyn's programs. The patient population will have 24-hour medical coverage. It will have a direct-care staffing level of at least two direct-care staff on duty/on site per ward per shift, with at least one nurse per shift. Crestwyn will have 24-hour supervision by a Registered Nurse. Activity therapy staff will be sufficient to cover activities on evenings, weekends, and holidays, in addition to those during the weekdays. Appropriate staff will provide all diagnostic services.

**Table Ten: Psychiatric Bed Need In Primary Service Area (20 counties)--Under State Guidelines for Growth  
CY2017**

COUNTY	STATE	2017 POPULATION			2017 PSYCHIATRIC BED NEED UNDER CY2000 TN GUIDELINES				STATE TOTALS	
		ADOLESCENT 13-17	ADULT 18-64	ADULT 65+	ADOLESCENT 13-17	ADULT 18-64	ADULT 65+	ADOLESC + ADULT	ADOLESC + ADULT	
CRAIGHEAD	AR	9,103	67,797	13,143	2.73	20.34	3.94	27.01		
CRITTENDEN	AR	5,974	28,761	5,145	1.79	8.63	1.54	11.96		
MISSISSIPPI	AR	5,016	25,777	5,292	1.50	7.73	1.59	10.83		
PHILLIPS	AR	2,110	10,451	2,745	0.63	3.14	0.82	4.59		
POINSETT	AR	1,804	14,145	3,747	0.54	4.24	1.12	5.91	AR	
ST FRANCIS	AR	1,888	17,236	3,276	0.57	5.17	0.98	6.72	67.02	
DESOTO	MS	20,003	110,022	18,108	6.00	33.01	5.43	44.44		
MARSHALL	MS	3,433	22,525	4,490	1.03	6.76	1.35	9.13		
PANOLA	MS	4,206	20,458	4,307	1.26	6.14	1.29	8.69	MS	
TATE	MS	3,459	19,160	4,324	1.04	5.75	1.30	8.08	70.35	
DYER	TN	2,620	22,816	6,705	0.79	6.84	2.01	9.64		
FAYETTE	TN	1,937	27,113	7,815	0.58	8.13	2.34	11.06		
GIBSON	TN	3,816	30,632	9,075	1.14	9.19	2.72	13.06		
HARDEMAN	TN	1,536	16,511	4,484	0.46	4.95	1.35	6.76		
HARDIN	TN	1,602	15,138	5,719	0.48	4.54	1.72	6.74		
LAKE	TN	346	7,167	1,208	0.10	2.15	0.36	2.62		
MADISON	TN	6,521	61,273	15,493	1.96	18.38	4.65	24.99		
McNAIRY	TN	1,804	15,795	5,390	0.54	4.74	1.62	6.90		
SHELBY	TN	65,279	594,500	120,783	19.58	178.35	36.23	234.17	TN	
TIPTON	TN	4,324	42,311	9,083	1.30	12.69	2.72	16.72	332.64	
TOTALS		146,781	1,169,588	250,331	44.03	350.88	75.10	470.01	470.01	

Source: TDH population projections by age cohort; Mississippi and Arkansas from Table Thirteen. Multiplied by Guideline of 30 beds per 1000 population.

**Table Eleven-A: Acute Psychiatric Beds Staffed or Potentially Staffed  
Crestwyn Primary Service Area--Tennessee  
2012-2013**

2012 Joint Annual Reports of Hospitals				
State	Facility Name	County	Staffed Psychiatric Beds	Assigned/Licensed Psychiatric Beds
TN	Community Behavioral Health—psych beds	Shelby	19	50
TN	Lakeside Behavioral Health System—psych beds	Shelby	290	290
TN	Lakeside Behavioral Health System—CD beds	Shelby	15	15
TN	Memphis Mental Health Institute	Shelby	75	75
TN	Delta Medical Center	Shelby	90	90
TN	Methodist University Healthcare—psych beds	Shelby	34	34
TN	St. Francis Hospital—psych beds	Shelby	102	102
	<b>Shelby County Subtotal</b>		<b>606</b>	<b>656</b>
TN	Western Mental Health Institute	Hardeman	162	187
TN	Pathways of Tennessee	Madison	25	25
	<b>TN PRIMARY SERVICE AREA</b>		<b>793</b>	<b>868</b>

### Additional Data on Changes in 2013

State	Facility Name	County	2013 Staffed Psychiatric Beds	2013 AVAILABLE Psychiatric Beds
TN	Community Behavioral Health--psych beds	Shelby	0	0
TN	Lakeside Behavioral Health System--psych beds	Shelby	290	290
TN	Lakeside Behavioral Health System--CD beds	Shelby	15	15
TN	Memphis Mental Health Institute	Shelby	60	60
TN	Delta Medical Center	Shelby	90	90
TN	Methodist University Healthcare--psych beds	Shelby	34	
TN	St. Francis Hospital--psych beds	Shelby	102	102
	<b>Shelby County Subtotal</b>		<b>591</b>	<b>591</b>
TN	Western Mental Health Institute	Hardeman	162	162
TN	Pathways of Tennessee	Madison	23	25
	<b>TN PRIMARY SERVICE AREA TOTALS</b>		<b>776</b>	<b>778</b>

Sources: 1. TDH Joint Annual Reports of Hospitals, 2010-2012 (Provisional)  
2. 2013 staffed and available bed data at CBH from DMHSAS Licensing & website  
3. 2013 staffed and available bed data at MMHI from CEO on 10-7-13.  
25 licensed beds are now occupied by SE Mental Health Center staff, long-term.  
4. Hospital-based units in 2013 are assumed to be staffed at 2012 levels.

**Table Eleven-B: Acute Psychiatric Beds Potentially Staffed  
Crestwyn Primary Service Area--Arkansas & Mississippi  
2012**

[illegible]

Sources: Arkansas Department of Health; Mississippi State Health Plan

**Table Eleven-C: Crestwyn Primary Service Area (3 States)  
Psychiatric Beds Staffed or Potentially Staffed**

in 2013		
TENNESSEE		778
ARKANSAS		98
MISSISSIPPI		35
<b>PRIMARY SERVICE AREA TOTAL</b>		<b>911</b>



**Table Eleven-D: Psychiatric Bed Utilization in Arkansas and Mississippi Primary Service Area  
2010-2012**

<b>2010 Joint Annual Reports of Hospitals</b>									
State	Facility Name	County		Assigned/ Licensed Psychiatric Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
TN	Community Behavioral Health--psych beds	Shelby		50	543	5,069	9	14	27.8%
TN	Lakeside Behavioral Health System--psych beds	Shelby		290	5,777	56,063	10	154	53.0%
TN	Lakeside Behavioral Health System--CD beds	Shelby		15	626	5,890	9	16	107.6%
TN	Memphis Mental Health Institute	Shelby		76	1,901	21,889	12	60	78.9%
TN	Delta Medical Center	Shelby		90	1,654	20,616	12	56	62.8%
TN	Methodist University Healthcare--psych beds	Shelby		34	513	8,029	16	22	64.7%
TN	St. Francis Hospital--psych beds	Shelby		102	2,022	17,520	9	48	47.1%
	<b>Shelby County Subtotal</b>			<b>657</b>	<b>13,036</b>	<b>135,076</b>	<b>10</b>	<b>370</b>	<b>56.3%</b>
TN	Western Mental Health Institute	Hardeman		250	1,341	44,339	33	121	48.6%
TN	Pathways of Tennessee	Madison		25	885	3,418	4	9	37.5%
	<b>TN PRIMARY SERVICE AREA TOTALS</b>			<b>932</b>	<b>15,262</b>	<b>182,833</b>	<b>12</b>	<b>501</b>	<b>53.7%</b>
<b>2011 Joint Annual Reports of Hospitals</b>									
State	Facility Name	County		Assigned/ Licensed Psychiatric Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
TN	Community Behavioral Health--psych beds	Shelby		50	694	6,011	9	16	32.9%
TN	Lakeside Behavioral Health System--psych beds	Shelby		290	6,247	59,671	10	163	56.4%
TN	Lakeside Behavioral Health System--CD beds	Shelby		15	565	3,466	6	9	63.3%
TN	Memphis Mental Health Institute	Shelby		75	1,853	20,615	11	56	75.3%
TN	Delta Medical Center	Shelby		90	1,574	20,834	13	57	63.4%
TN	Methodist University Healthcare--psych beds	Shelby		34	630	9,385	15	26	75.6%
TN	St. Francis Hospital--psych beds	Shelby		102	2,043	16,199	8	44	43.5%
	<b>Shelby County Subtotal</b>			<b>656</b>	<b>13,606</b>	<b>136,181</b>	<b>10</b>	<b>373</b>	<b>56.9%</b>
TN	Western Mental Health Institute	Hardeman		200	1,386	43,427	31	119	59.5%
TN	Pathways of Tennessee	Madison		25	691	3,085	4	8	33.8%
	<b>TN PRIMARY SERVICE AREA TOTALS</b>			<b>881</b>	<b>15,683</b>	<b>182,693</b>	<b>12</b>	<b>501</b>	<b>56.8%</b>
<b>2012 Joint Annual Reports of Hospitals</b>									
State	Facility Name	County	Staffed Psychiatric Beds	Assigned/ Licensed Psychiatric Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
TN	Community Behavioral Health--psych beds	Shelby	19	50	772	6,655	9	18	36.5%
TN	Lakeside Behavioral Health System--psych beds	Shelby	290	290	6,606	63,508	10	174	60.0%
TN	Lakeside Behavioral Health System--CD beds	Shelby	15	15	636	3,903	6	11	71.3%
TN	Memphis Mental Health Institute	Shelby	75	75	1,440	21,630	15	59	79.0%
TN	Delta Medical Center	Shelby	90	90	1,500	22,340	15	61	68.0%
TN	Methodist University Healthcare--psych beds	Shelby	34	34	619	9,748	16	27	78.5%
TN	St. Francis Hospital--psych beds	Shelby	102	102	2,008	16,843	8	46	45.2%
	<b>Shelby County Subtotal</b>		<b>606</b>	<b>656</b>	<b>13,581</b>	<b>144,627</b>	<b>11</b>	<b>396</b>	<b>60.4%</b>
TN	Western Mental Health Institute	Hardeman	182	187	1,211	41,617	34	114	61.0%
TN	Pathways of Tennessee	Madison	25	25	590	2,846	5	8	31.2%
	<b>TN PRIMARY SERVICE AREA TOTALS</b>		<b>793</b>	<b>868</b>	<b>15,382</b>	<b>189,090</b>	<b>12</b>	<b>518</b>	<b>59.7%</b>

# The Framework for Tennessee's Comprehensive State Health Plan

## Five Principles for Achieving Better Health

The following Five Principles for Achieving Better Health serve as the basic framework for the State Health Plan. After each principle, the applicant states how this application supports the principle, if applicable.

### 1. Healthy Lives

*The purpose of the State Health Plan is to improve the health of Tennesseans.*

Every person's health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

This project is the result of a collaboration among two (and potentially three) hospital organizations involved in provision of acute psychiatric care. It is supported by an even wider group of providers in its geographic service area.

### 2. Access to Care

*Every citizen should have reasonable access to health care.*

Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

The State Plan and its related Guidelines do not establish financial standards for access to this type of care, for persons without financial means. However, although Crestwyn will be a private facility, it has committed to serve elderly and low-income patients in Medicare and TennCare programs and to also provide a limited amount of indigent care. Its sister hospital, Delta Medical Center, provides substantial services to these groups.

### 3. Economic Efficiencies

*The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system.* The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.

The project supports this goal by increasing the competitiveness of the Memphis market for private hospital psychiatric services. It will provide psychiatric beds in a

suburban growth area, to replace central-county acute care beds that are either chronically underutilized or have been taken out of the market during the past two years.

#### **4. Quality of Care**

***Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.***

Acadia Healthcare is the parent of Delta Medical Center and the proposed Crestwyn facility. Like other national health care companies, Acadia works to ensure that its facility's and its staffs' patient care practices are continuously measured, evaluated, and improved in quality and efficiency, to keep pace with evolving public needs and standards of payor organizations.

#### **5. Health Care Workforce**

***The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.***

The project will expand employment opportunities for a professional workforce with clinical expertise and experience.

**C(I).2. DESCRIBE THE RELATIONSHIP OF THIS PROJECT TO THE APPLICANT'S LONG-RANGE DEVELOPMENT PLANS, IF ANY.**

Acadia entered the greater Memphis market by acquiring Delta Medical Center at the end of January 2013. Acadia's plan was first to fully utilize Delta's capacity for providing adult psychiatric care to a three-State referral region, and next to add psychiatric bed capacity and clinical programs to meet any additional needs.

The first step has been accomplished. Delta has become a referral destination of choice for many agencies and institutions in West Tennessee and nearby counties in Arkansas and Mississippi. Its 90 psychiatric beds are being fully utilized in 2013.

Now Acadia needs to expand its bed capacity and its range of acute mental healthcare services. There is no room in Delta Medical Center to meet rising demand for existing programs, much less to add an adolescent program or a dedicated chemical dependency program. It is unfeasible to add psychiatric capacity by converting Delta's underutilized 153 medical-surgical beds, for reasons outlined in the architect's report in the Attachments to this application. (Those reasons include various site and configuration limitations, triggering unaffordable licensure requirements to upgrade other parts of the old hospital, and the adverse impact on Medicare DSH reimbursement of reducing medical-surgical beds to below 100 beds).

Acadia needs an off-site solution to meet service area demands. The optimal solution is to construct more psychiatric bed capacity at a second, accessible campus whose admissions and programs are centrally managed. Crestwyn and Delta will function as a two-campus system, with one facility in an older part of the city and another in a new growth area that now lacks such services. Together, they can afford to offer the full range of adolescent and adult services--including management of acute medical co-morbidities. None of the four freestanding mental healthcare hospitals in the area can accept patients who need immediate acute medical care. And only one hospital-based program in Memphis (St. Francis) offers Crestwyn's range of inpatient programs.

**C(I).3. IDENTIFY THE PROPOSED SERVICE AREA AND JUSTIFY THE REASONABLENESS OF THAT PROPOSED AREA. SUBMIT A COUNTY-LEVEL MAP INCLUDING THE STATE OF TENNESSEE CLEARLY MARKED TO REFLECT THE SERVICE AREA. PLEASE SUBMIT THE MAP ON A 8-1/2" X 11" SHEET OF WHITE PAPER MARKED ONLY WITH INK DETECTABLE BY A STANDARD PHOTOCOPIER (I.E., NO HIGHLIGHTERS, PENCILS, ETC.).**

This is a new facility, but it will be operated by an established Memphis inpatient mental healthcare provider--Acadia Healthcare, owner of Delta Medical Center. There is no publicly available data on patient origin for Tennessee's hospital-based psychiatric units, but that data is reported in the Joint Annual Reports (JAR's) of Tennessee's freestanding psychiatric hospitals. Their 2012 JAR's show that last year, Delta served a much wider region than did any other psychiatric hospital in West Tennessee. Delta drew admissions from sixty-eight counties in three States. Its primary service area alone consisted of 20 counties in three States. Only half (52%) of its patients came from Shelby County. It is a significant multi-State resource for psychiatric care.

By contrast, the largest private psychiatric hospital in Memphis drew 96.5% of its admissions last year from Shelby County, and identified only twenty counties in its entire referral area. Memphis Mental Health Institute, which is the State-owned psychiatric hospital in Shelby County, reported receiving 97.2% of its admissions from Shelby County, and none from other States. The third Shelby County mental health hospital (now closed and delicensed) reported serving no patients from outside Shelby County in 2012.

The table on the next page shows the projected Crestwyn primary and secondary service areas with projected Year Two (CY2017) percentages of patients from each PSA county. Logically, it will mirror the CY2012 experience of Delta Medical Center's psychiatric programs.

A service area map and a map showing the location of the service within the State of Tennessee are provided as Attachments C, Need--3 at the back of the application.

**Table Twelve: Crestwyn Behavioral Health  
Projected Patient Origin--Years One and Two**

A. CRESTWYN BEHAVIORAL HEALTH PATIENT ORIGIN / PRIMARY AND SECONDARY SERVICE AREA COUNTIES BY NUMBER OF ADMISSIONS YEARS ONE AND TWO							
COUNTY	STATE	YR 1 ADMITS (1,020)	CUMULATIVE YR 1 ADMITS	YR 2 ADMITS (1,776)	CUMULATIVE YR 2 ADMITS	COUNTY % OF ADMITS	CUMULATIVE PERCENT
SHELBY	TN	525	525	915	915	51.5%	51.5%
DESOTO	MS	60	585	104	1,019	5.8%	57.3%
CRITTENDEN	AR	46	630	79	1,098	4.5%	61.8%
MADISON	TN	27	658	48	1,146	2.7%	64.5%
FAYETTE	TN	21	679	37	1,183	2.1%	66.6%
MARSHALL	MS	18	697	31	1,214	1.8%	68.4%
MISSISSIPPI	AR	17	714	30	1,245	1.7%	70.1%
HARDEMAN	TN	17	731	29	1,274	1.6%	71.7%
TIPTON	TN	17	748	29	1,303	1.6%	73.4%
GIBSON	TN	15	763	26	1,329	1.4%	74.8%
CRAIGHEAD	AR	14	777	24	1,353	1.4%	76.2%
TATE	MS	14	791	24	1,378	1.4%	77.6%
LAKE	TN	13	804	23	1,401	1.3%	78.9%
DYER	TN	13	817	22	1,423	1.2%	80.1%
PHILLIPS	AR	12	829	21	1,444	1.2%	81.3%
SAINT FRANCIS	AR	11	840	20	1,464	1.1%	82.4%
POINSETT	AR	11	851	19	1,483	1.0%	83.5%
PANOLA	MS	10	861	17	1,500	1.0%	84.4%
HARDIN	TN	10	871	17	1,517	1.0%	85.4%
McNAIRY	TN	10	881	17	1,535	1.0%	86.4%
LAWRENCE	AR	9	890	15	1,550	0.9%	87.3%
LAUDERDALE	TN	9	898	15	1,565	0.9%	88.1%
GREENE	AR	7	906	13	1,578	0.7%	88.8%
WEAKLEY	TN	7	913	13	1,591	0.7%	89.6%
RANDOLPH	AR	6	919	10	1,601	0.6%	90.2%
COAHOMA	MS	6	925	10	1,612	0.6%	90.7%
YALOBUSHA	MS	5	931	9	1,621	0.5%	91.3%
CARROLL	TN	5	936	9	1,631	0.5%	91.8%
HENDERSON	TN	5	941	9	1,640	0.5%	92.3%
LEFLORE	MS	5	946	8	1,648	0.5%	92.8%
QUITMAN	MS	4	950	7	1,655	0.4%	93.2%
OBION	TN	4	954	7	1,662	0.4%	93.6%
BENTON	MS	3	957	6	1,668	0.3%	93.9%
LEE	MS	3	961	6	1,674	0.3%	94.2%
CHESTER	TN	3	964	6	1,679	0.3%	94.6%
HAYWOOD	TN	3	967	6	1,685	0.3%	94.9%
CROSS	AR	3	970	5	1,690	0.3%	95.1%
BOLIVAR	MS	3	973	5	1,695	0.3%	95.4%
GRENADA	MS	3	975	5	1,699	0.3%	95.7%
LAFAYETTE	MS	3	978	5	1,704	0.3%	95.9%
TIPPAH	MS	3	981	5	1,709	0.3%	96.2%
BENTON	TN	3	983	5	1,713	0.3%	96.5%
MONTGOMERY	TN	3	986	5	1,718	0.3%	96.7%
JACKSON	AR	2	988	3	1,721	0.2%	96.9%
LEE	AR	2	990	3	1,725	0.2%	97.1%
PULASKI*	AR	1	991	2	1,727	0.1%	97.2%
ALCORN	MS	1	993	2	1,730	0.1%	97.4%
CALHOUN	MS	1	994	2	1,732	0.1%	97.5%
MONTGOMERY	MS	1	996	2	1,734	0.1%	97.6%
TUNICA	MS	1	997	2	1,737	0.1%	97.8%
CROCKETT	TN	1	998	2	1,739	0.1%	97.9%
DECATUR	TN	1	1,000	2	1,741	0.1%	98.0%
CLAY	AR	1	1,000	1	1,742	0.1%	98.1%
FULTON	AR	1	1,001	1	1,744	0.1%	98.2%
POPE*	AR	1	1,002	1	1,745	0.1%	98.2%
SHARP	AR	1	1,002	1	1,746	0.1%	98.3%
WOODRUFF	AR	1	1,003	1	1,747	0.1%	98.4%
CARROLL	MS	1	1,004	1	1,748	0.1%	98.4%
CLAIBORNE*	MS	1	1,004	1	1,749	0.1%	98.5%
HINDS*	MS	1	1,005	1	1,751	0.1%	98.6%
ITAWAMBA	MS	1	1,006	1	1,752	0.1%	98.6%
PONTOTOC	MS	1	1,006	1	1,753	0.1%	98.7%
PRENTISS	MS	1	1,007	1	1,754	0.1%	98.8%
STONE*	MS	1	1,008	1	1,755	0.1%	98.8%
UNION	MS	1	1,008	1	1,756	0.1%	98.9%
WASHINGTON	MS	1	1,009	1	1,758	0.1%	99.0%
DAVIDSON	TN	1	1,010	1	1,759	0.1%	99.0%
HUMPHREY	TN	1	1,010	1	1,760	0.1%	99.1%
UNKNOWN	OTHER STATES	9	1,020	16	1,776	0.9%	100.0%
TOTAL			1,020		1,776		

B. CRESTWYN BEHAVIORAL HEALTH SERVICE AREAS--BY COUNTIES WITHIN STATES YEAR ONE				
COUNTY	STATE	YR 1 ADMITS	STATE TOTAL	STATE % OF ADMITS
CRAIGHEAD	AR	14		
CRITTENDEN	AR	46		
MISSISSIPPI	AR	17		
PHILLIPS	AR	12		
POINSETT	AR	11		
SAINT FRANCIS	AR	11	111	10.9%
DESOTO	MS	60		
MARSHALL	MS	18		
PANOLA	MS	10		
TATE	MS	14	102	10.0%
DYER	TN	13		
FAYETTE	TN	21		
GIBSON	TN	15		
HARDEMAN	TN	17		
HARDIN	TN	10		
LAKE	TN	13		
MADISON	TN	27		
McNAIRY	TN	10		
SHELBY	TN	525		
TIPTON	TN	17	669	65.6%
TOTAL PSA		881	881	86.4%

CLAY	AR	1		
CROSS	AR	3		
FULTON	AR	1		
GREENE	AR	7		
JACKSON	AR	2		
LAWRENCE	AR	9		
LEE	AR	2		
POPE*	AR	1		
PULASKI*	AR	1		
RANDOLPH	AR	6		
SHARP	AR	1		
WOODRUFF	AR	1	33	3.3%
ALCORN	MS	1		
BENTON	MS	3		
BOLIVAR	MS	3		
CALHOUN	MS	1		
CARROLL	MS	1		
CLAIBORNE*	MS	1		
COAHOMA	MS	6		
GRENADA	MS	3		
HINDS*	MS	1		
ITAWAMBA	MS	1		
LAFAYETTE	MS	3		
LEE	MS	3		
LEFLORE	MS	5		
MONTGOMERY	MS	1		
PONTOTOC	MS	1		
PRENTISS	MS	1		
QUITMAN	MS	4		
STONE*	MS	1		
TIPPAH	MS	3		
TUNICA	MS	1		
UNION	MS	1		
WASHINGTON	MS	1		
YALOBUSHA	MS	5	49	4.8%
BENTON	TN	3		
CARROLL	TN	5		
CHESTER	TN	3		
CROCKETT	TN	1		
DAVIDSON	TN	1		
DECATUR	TN	1		
HAYWOOD	TN	3		
HENDERSON	TN	5		
HUMPHREY	TN	1		
LAUDERDALE	TN	9		
MONTGOMERY	TN	3		
OBION	TN	4		
WEAKLEY	TN	7		0.0%
UNKNOWN	OTHER STATES	9	56	5.5%
TOTAL SSA		139	139	13.6%
PSA+SSA		1020	1020	100.0%

Source: Delta Medical Center records, 2012 psychiatric patient origin applied to Crestwyn projected admissions.

Notes:

1. Primary service area counties are unshaded.
2. Asterisked counties are omitted from service area maps, being both noncontiguous and remote.

**C(I).4.A DESCRIBE THE DEMOGRAPHICS OF THE POPULATION TO BE SERVED BY THIS PROPOSAL.**

The demographic data required by the HSDA staff for primary service area (PSA) counties is shown on the tables on the next two pages. Data has been provided for total population and also for ages 13-17, 18-64, and 65+. Sources are footnoted.

Tennessee PSA Counties Compared to State of Tennessee:

- The median age of the Tennessee PSA is higher than the Tennessee State average;
- Population growth overall is slower than Tennessee's;
- Its elderly 65+ percent of total population in 2017 will be less than Tennessee's;
- Its adult 18-64 population in 2017 will be a slightly higher percent of total population;
- The population 13-17 years of age will decline 2.4% by 2017, whereas Tennessee's population of that age will increase by 2.4%.
- In 2017, the population 13-17 years of age will remain a higher percent of total population than in Tennessee.
- The Tennessee PSA, compared to the State of Tennessee, has lower median income, a higher percent of residents in TennCare/Medicaid, and a higher percent of its population living in poverty.

Arkansas and Mississippi PSA Counties Compared to State of Tennessee:

- Younger median age;
- slower rate of growth in overall population;
- In 2017, will have a lower percentage of elderly, and the elderly population will increase very little, compared to a 12.4% increase in Tennessee;
- The population age 13-17 is a higher percent of total population, and will grow more quickly, than in the State of Tennessee.
- The AR and MS PSA counties, compared to the State of Tennessee, have a much lower median income, a higher percent of population enrolled in Medicaid, and a higher percent of population living in poverty.

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**Table Thirteen-A: Demographic Characteristics of Tennessee Primary Service Area--Three Age Cohorts 13-17, 18-64, 65+ (PAGE 1 OF 2)**  
**Crestwyn Behavioral Health, Germantown**  
**2013-2017**

Demographic	DYER County	FAYETTE County	GIBSON County	HARDMAN County	HARDIN County	LAKE County	MCNAIRY County	MADISON County	SHELBY County	TIPTON County	TENNESSEE PSA	STATE OF TENNESSEE
Median Age-2010 US Census	39.3	41.9	39.9	39.2	43.5	38.3	41.6	36.8	34.6	36.6	39.2	37.8
Total Population-2013	38,205	40,081	50,748	26,492	25,968	9,795	26,408	99,153	940,972	63,001	1,320,823	6,528,014
Total Population-2017	38,345	43,819	51,952	26,106	26,184	9,553	27,129	100,685	951,669	66,612	1,342,034	6,772,022
Total Population-% Change 2013 to 2017	0.4%	9.3%	2.4%	-1.5%	0.8%	-2.7%	2.7%	1.5%	1.1%	5.7%	1.6%	3.7%
Age 65+ Population-2013	6,054	6,680	8,663	4,113	5,240	1,135	4,964	13,992	104,804	7,740	163,385	878,496
% of Total Population	15.8%	16.7%	17.1%	15.5%	20.2%	11.6%	18.8%	14.1%	11.1%	12.3%	12.4%	13.5%
Age 65+ Population-2017	6,705	7,815	9,075	4,484	5,719	1,208	5,390	15,493	120,783	9,063	185,755	987,074
% of Total Population	17.5%	17.8%	17.5%	17.2%	21.8%	12.7%	19.9%	15.4%	12.7%	13.6%	13.8%	14.6%
Age 65+ Population- % Change 2013-2017	10.8%	17.0%	4.8%	9.0%	9.1%	6.4%	8.6%	10.7%	15.2%	17.4%	13.7%	12.4%
Age 18-64 Population-2013	23,080	24,886	29,798	17,086	15,391	7,414	15,563	61,647	596,135	39,498	830,498	4,079,662
% of Total Population	60.4%	62.1%	58.7%	64.5%	59.3%	75.7%	58.9%	62.2%	63.4%	62.7%	62.9%	62.5%
Age 18-64 Population-2017	22,816	27,113	30,632	16,511	15,138	7,167	15,795	61,273	594,500	42,311	833,256	4,177,609
% of Total Population	59.5%	61.9%	59.0%	63.2%	57.8%	75.2%	58.2%	60.9%	62.5%	63.5%	62.1%	61.7%
Age 18-64 Population- % Change 2013-2017	-1.1%	8.9%	2.8%	-3.4%	-1.6%	-3.3%	1.5%	-0.6%	-0.3%	7.1%	0.3%	2.4%
Age 13-17 Population-2013	2,618	2,057	3,614	1,559	1,599	27,181	1,695	1,797	68,490	4,730	115,340	426,216
% of Total Population	6.9%	5.1%	7.1%	5.9%	6.2%	277.5%	6.4%	1.8%	7.3%	7.5%	8.7%	6.5%
Age 13-17 Population-2017	2,620	1,937	3,816	1,536	1,602	27,865	1,804	1,777	65,279	4,324	112,560	436,241
% of Total Population	6.8%	4.4%	7.3%	5.9%	6.1%	292.3%	6.6%	1.8%	6.9%	6.5%	8.4%	6.4%
Age 13-17 Population- % Change 2013-2017	0.1%	-5.8%	5.6%	-1.5%	0.2%	2.5%	6.4%	-1.1%	-4.7%	-8.6%	-2.4%	2.4%
Median Household Income	\$38,909	\$57,437	\$37,577	\$32,601	\$32,131	\$26,797	\$34,953	\$40,667	\$46,102	\$50,869	\$39,804	\$43,314
TennCare Enrollees (06/13)	9,296	5,576	11,141	6,159	6,329	1,968	6,788	20,973	228,293	11,545	308,068	1,211,113
Percent of 2012 Population Enrolled in TennCare	24.3%	13.9%	22.0%	23.2%	24.4%	20.1%	25.7%	21.2%	24.3%	18.3%	23.3%	18.6%
Persons Below Poverty Level (2012)	7,335	4,689	9,084	5,722	5,887	3,076	5,942	19,037	189,135	9,639	259,547	1,103,234
Persons Below Poverty Level As % of Population (US Census)	19.2%	11.7%	17.9%	21.6%	22.7%	31.4%	22.5%	19.2%	20.1%	15.3%	20.2%	16.9%

Sources: TDH Population Projections, May 2013; U.S. Census Quickfacts and FactFinder2; Bureau of TennCare.  
 PSA data is unweighted average, or total, or county data.



Table Thirteen-B: Demographic Characteristics of Arkansas/Mississippi Primary Service Area, and Total PSA--Three Age Cohorts 13-17, 18-64, 65+ (PAGE 2 OF 2)

Crestwyn Behavioral Health, Germantown  
2013-2017

Demographic	CRAIGHEAD County (AR)	CRITTENDEN County (AR)	MISSISSIPPI County (AR)	PHILLIPS County (AR)	POINSETT County (AR)	ST FRANCIS County (AR)	DESOTO County (MS)	MARSHALL County (MS)	PANOLA County (MS)	TATE County (MS)	AR & MS PSA	TENNESSEE PSA	CRESTWYN PSA (TN/AR/MS)
Median Age-2010 US Census	33.2	34.2	34.9	36.9	33.8	37.2	33.7	33.9	33.0	34.2	35.1	39.2	37.1
Total Population-2013	101,381	49,581	45,103	20,298	24,169	27,658	168,775	36,346	34,356	29,282	536,909	1,320,823	1,857,732
Total Population-2017	107,965	47,819	43,267	18,352	23,617	26,858	178,689	35,282	33,888	32,500	548,237	1,342,034	1,890,271
Total Population-% Change 2013 to 2017	6.5%	-3.6%	-4.1%	-9.6%	-2.3%	-2.9%	5.9%	-2.9%	-1.4%	11.0%	2.1%	1.6%	1.8%
Age 65+ Population-2013	12,341	5,335	5,517	3,036	3,834	3,374	17,098	4,625	4,366	3,897	63,423	163,385	226,808
% of Total Population	12.2%	10.8%	12.3%	15.0%	15.9%	12.2%	10.1%	12.7%	12.7%	13.3%	11.8%	12.4%	12.2%
Age 65+ Population-2017	13,143	5,145	5,292	2,745	3,747	3,276	18,108	4,480	4,307	4,324	64,577	185,755	250,332
% of Total Population	12.2%	10.8%	12.2%	15.0%	15.9%	12.2%	10.1%	12.7%	12.7%	13.3%	11.8%	13.8%	13.2%
Age 65+ Population- % Change 2013-2017	6.5%	-3.6%	-4.1%	-9.6%	-2.3%	-2.9%	5.9%	-2.9%	-1.4%	11.0%	1.8%	13.7%	10.4%
Age 18-64 Population-2013	63,663	29,821	26,871	11,559	14,476	17,749	103,887	23,205	20,740	17,268	329,239	830,498	1,159,737
% of Total Population	62.8%	60.1%	59.6%	56.9%	59.9%	64.2%	61.6%	63.8%	60.4%	59.0%	61.3%	62.9%	62.4%
Age 18-64 Population-2017	67,797	28,761	25,777	10,451	14,145	17,236	110,022	22,525	20,458	19,160	336,332	833,256	1,169,588
% of Total Population	62.8%	60.1%	59.6%	56.9%	59.9%	64.2%	61.6%	63.8%	60.4%	59.0%	61.3%	62.1%	61.9%
Age 18-64 Population- % Change 2013-2017	6.5%	-3.6%	-4.1%	-9.6%	-2.3%	-2.9%	5.9%	-2.9%	-1.4%	11.0%	2.2%	0.3%	0.8%
Age 13-17 Population-2013	8,548	6,194	5,229	2,334	1,847	1,944	18,887	3,537	4,264	3,118	55,902	115,340	171,242
% of Total Population	8.4%	12.5%	11.5%	11.5%	7.6%	7.0%	11.2%	9.7%	12.4%	10.6%	10.4%	8.7%	9.2%
Age 13-17 Population-2017	9,103	5,974	5,016	2,110	1,804	1,888	20,003	3,433	4,206	3,459	56,996	112,560	169,556
% of Total Population	8.4%	12.5%	11.6%	11.5%	7.6%	7.0%	11.2%	9.7%	12.4%	10.6%	10.4%	8.4%	9.0%
Age 13-17 Population- % Change 2013-2017	6.5%	-3.6%	-4.1%	-9.6%	-2.3%	-2.9%	5.9%	-2.9%	-1.4%	10.9%	2.0%	-2.4%	-1.0%
Median Household Income	\$40,221	\$35,264	\$34,267	\$28,225	\$31,939	\$26,360	\$59,734	\$33,279	\$34,592	\$41,839	\$36,572	\$39,804	\$38,188
Medicaid Enrollees	31,769	22,635	20,690	11,730	10,724	11,817	unpublished	unpublished	unpublished	unpublished	109,365	308,068	417,433
Percent of 2012 Population Enrolled in Medicaid	31.3%	45.7%	45.9%	57.8%	44.4%	42.7%	unpublished	unpublished	unpublished	unpublished	20.4%	23.3%	21.8%
Persons Below Poverty Level (2012)	20,580	13,833	11,772	6,414	6,284	8,214	16,029	8,796	9,654	5,302	106,878	259,547	366,426
Persons Below Poverty Level As % of Population (US Census)	20.3%	27.9%	26.1%	31.6%	26.0%	29.7%	9.5%	24.2%	28.1%	18.1%	24.2%	20.2%	23.8%

Sources: U.S. Census QuickFacts, FactFinder2, other Census webpages; State of AR and MS websites.  
 AR+MS PSA data is unweighted average, or total, of county data.  
 TN+AR+MS data is unweighted average of PSA data for TN and for AR/MS, or is calculated by PSA formulas.

**C(1).4.B. DESCRIBE THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION, INCLUDING HEALTH DISPARITIES, THE ACCESSIBILITY TO CONSUMERS, PARTICULARLY THE ELDERLY, WOMEN, RACIAL AND ETHNIC MINORITIES, AND LOW-INCOME GROUPS. DOCUMENT HOW THE BUSINESS PLANS OF THE FACILITY WILL TAKE INTO CONSIDERATION THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION.**

With the Crestwyn project, Acadia Healthcare is making a strong commitment to financial accessibility to acute mental healthcare--with payor mix projected at 15% TennCare, 10% self-pay, and 25% Medicare. Crestwyn will not discriminate in its admissions decisions based on age, race, ethnicity, gender, or handicapped status; and it will be broadly accessible to low-income and underinsured persons.

Acadia's Delta Medical Center is located close to I-40, in a lower-income sector of the county. It has an unusually high percent of Medicare and TennCare admissions, which is why it receives additional Medicare reimbursement in the form of DSH payments. Acadia is proposing to keep Delta's psychiatric bed capacity at a robust level, maintaining service to a relatively disadvantaged sector of the county, rather than trying to relocate Delta to a higher-income sector of the county. The new Crestwyn beds in Germantown will have positive operating margins that will help Acadia maintain Delta's ability to care for patients in its immediate area of Memphis.

**C(1).5. DESCRIBE THE EXISTING OR CERTIFIED SERVICES, INCLUDING APPROVED BUT UNIMPLEMENTED CON'S, OF SIMILAR INSTITUTIONS IN THE SERVICE AREA. INCLUDE UTILIZATION AND/OR OCCUPANCY TRENDS FOR EACH OF THE MOST RECENT THREE YEARS OF DATA AVAILABLE FOR THIS TYPE OF PROJECT. BE CERTAIN TO LIST EACH INSTITUTION AND ITS UTILIZATION AND/OR OCCUPANCY INDIVIDUALLY. INPATIENT BED PROJECTS MUST INCLUDE THE FOLLOWING DATA: ADMISSIONS OR DISCHARGES, PATIENT DAYS, AND OCCUPANCY.**

Table Fourteen on the following page provides TDH JAR data on the 2010-2012 utilization of Tennessee primary service area hospitals that provide inpatient psychiatric care. The great majority of inpatient psychiatric care in the service area is provided by Shelby County facilities. In 2012, acute psychiatric care providers in Shelby County averaged more than 60% occupancy on 656 licensed psychiatric beds, and provided 6.3% more days of care than in the prior year. Providers in the 10-county Tennessee primary service area averaged approximately 60% occupancy on 868 licensed psychiatric beds.

It should be noted that since 2012, two psychiatric facilities in central Shelby County have reduced the number of bed available. Community Behavioral Health closed its 50-bed hospital in central Memphis. DMHSAS has confirmed that Community Behavioral Health is closed and has been removed from the Department's listing of licensed mental healthcare hospitals. In addition, the downtown Memphis Mental Health Institute, a State hospital, has closed 15 acute inpatient beds in order to provide space to Southeast Mental Health Center, which does not provide inpatient care. These two actions reduced inpatient psychiatric capacity by 65 beds. The Crestwyn project would restore 60 of those beds, and will do that in a relatively underserved sector of the county. It should also be noted that Shelby County's 144,627 patient days in 2012 would constitute an average occupancy of 67 % on the currently available bed capacity in 2013.

(144,627 days of care /365 days/591 beds = 67.1% average annual occupancy)

Neither Mississippi nor Arkansas appears to release as much bed utilization data as Tennessee. What data is available for 2012 is presented in the tables following the Tennessee data.

**Supplemental Table Fourteen-A: Psychiatric Bed Utilization in Tennessee Primary Service Area  
2010-2012**

**2010 Joint Annual Reports of Hospitals**

Facility Name	County	Staffed Psychiatric Beds	Assigned/ Licensed Psychiatric Beds	Behavioral Admissions	Behavioral Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds	Occupancy on Staffed Beds
Community Behavioral Health-psych beds	Shelby	50	50	543	5,069	9	14	27.8%	27.8%
Lakeside Behavioral Health System-psych beds	Shelby	290	290	5,777	56,063	10	154	53.0%	53.0%
Lakeside Behavioral Health System-CD beds	Shelby	15	15	626	5,890	9	16	107.6%	107.6%
Memphis Mental Health Institute	Shelby	75	75	1,901	21,889	12	60	78.9%	80.0%
Delta Medical Center	Shelby	90	90	1,654	20,616	12	56	62.8%	62.8%
Methodist University Healthcare-psych beds	Shelby	34	34	513	8,029	16	22	64.7%	64.7%
St. Francis Hospital-psych beds	Shelby	102	102	2,022	17,520	9	48	47.1%	47.1%
<b>Shelby County Subtotal</b>		<b>656</b>	<b>657</b>	<b>13,036</b>	<b>135,076</b>	<b>10</b>	<b>370</b>	<b>56.3%</b>	<b>56.4%</b>
Western Mental Health Institute	Hardeman	162	250	1,341	44,339	33	121	48.6%	75.0%
Pathways of Tennessee	Madison	25	25	885	3,418	4	9	37.5%	37.5%
<b>TN PRIMARY SERVICE AREA TOTALS</b>		<b>843</b>	<b>932</b>	<b>15,262</b>	<b>182,833</b>	<b>12</b>	<b>501</b>	<b>53.7%</b>	<b>59.4%</b>

**2011 Joint Annual Reports of Hospitals**

Facility Name	County	Staffed Psychiatric Beds	Assigned/ Licensed Psychiatric Beds	Behavioral Admissions	Behavioral Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds	Occupancy on Staffed Beds
Community Behavioral Health-psych beds	Shelby	50	50	694	6,011	9	16	32.9%	32.9%
Lakeside Behavioral Health System-psych beds	Shelby	290	290	6,247	59,671	10	163	56.4%	56.4%
Lakeside Behavioral Health System-CD beds	Shelby	15	15	565	3,466	6	9	63.3%	63.3%
Memphis Mental Health Institute	Shelby	75	75	1,853	20,615	11	56	75.3%	75.3%
Delta Medical Center	Shelby	90	90	1,574	20,834	13	57	63.4%	63.4%
Methodist University Healthcare-psych beds	Shelby	34	34	630	9,385	15	26	75.6%	75.6%
St. Francis Hospital-psych beds	Shelby	102	102	2,043	16,199	8	44	43.5%	43.5%
<b>Shelby County Subtotal</b>		<b>656</b>	<b>656</b>	<b>13,606</b>	<b>136,181</b>	<b>10</b>	<b>373</b>	<b>56.9%</b>	<b>56.9%</b>
Western Mental Health Institute	Hardeman	150	200	1,386	43,427	31	119	59.5%	79.3%
Pathways of Tennessee	Madison	25	25	691	3,085	4	8	33.8%	33.8%
<b>TN PRIMARY SERVICE AREA TOTALS</b>		<b>831</b>	<b>881</b>	<b>15,683</b>	<b>182,693</b>	<b>12</b>	<b>501</b>	<b>56.8%</b>	<b>60.2%</b>

**2012 Joint Annual Reports of Hospitals**

Facility Name	County	Staffed Psychiatric Beds	Assigned/ Licensed Psychiatric Beds	Behavioral Admissions	Behavioral Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds	Occupancy on Staffed Beds
Community Behavioral Health-psych beds	Shelby	19	50	772	6,655	9	18	36.5%	96.0%
Lakeside Behavioral Health System-psych beds	Shelby	290	290	6,606	63,508	10	174	60.0%	60.0%
Lakeside Behavioral Health System-CD beds	Shelby	15	15	636	3,903	6	11	71.3%	71.3%
Memphis Mental Health Institute	Shelby	75	75	1,440	21,630	15	59	79.0%	79.0%
Delta Medical Center	Shelby	90	90	1,500	22,340	15	61	68.0%	68.0%
Methodist University Healthcare-psych beds	Shelby	34	34	619	9,748	16	27	78.5%	78.5%
St. Francis Hospital-psych beds	Shelby	102	102	2,008	16,843	8	46	45.2%	45.2%
<b>Shelby County Subtotal</b>		<b>606</b>	<b>656</b>	<b>13,581</b>	<b>144,627</b>	<b>11</b>	<b>396</b>	<b>60.4%</b>	<b>65.4%</b>
Western Mental Health Institute	Hardeman	150	187	1,211	41,617	34	114	61.0%	76.0%
Pathways of Tennessee	Madison	25	25	590	2,846	5	8	31.2%	31.2%
<b>TN PRIMARY SERVICE AREA TOTALS</b>		<b>781</b>	<b>868</b>	<b>15,382</b>	<b>189,090</b>	<b>12</b>	<b>518</b>	<b>59.7%</b>	<b>66.3%</b>

**ADDITIONAL DATA ON CHANGES IN 2013**

Facility Name	County	2013 Staffed Psychiatric Beds	2013 AVAILABLE Psychiatric Beds
Community Behavioral Health-psych beds	Shelby	0	0
Lakeside Behavioral Health System-psych beds	Shelby	290	290
Lakeside Behavioral Health System-CD beds	Shelby	15	15
Memphis Mental Health Institute	Shelby	60	60
Delta Medical Center	Shelby	90	90
Methodist University Healthcare-psych beds	Shelby	34	34
St. Francis Hospital-psych beds	Shelby	102	102
<b>Shelby County Subtotal</b>		<b>591</b>	<b>591</b>
Western Mental Health Institute	Hardeman	150	187
Pathways of Tennessee	Madison	23	25
<b>TN PRIMARY SERVICE AREA TOTALS</b>		<b>764</b>	<b>803</b>

1. TDH Joint Annual Reports of Hospitals, 2010-2012 (Provisional)
2. 2013 staffed and available bed data at CBH from DMHSAS telephone conference and DMHSAS website
3. 2013 staffed and available bed data at MMHI from CEO on 10-7-13. 25 licensed beds are now occupied by SE Mental Health Center staff.
4. Hospital-based units in 2013 assumed to be staffed at 2012 reported levels.

Supplemental Table Fourteen-B: Psychiatric Bed Utilization in Arkansas and Mississippi Primary Service Area

2009									
State	Facility Name	County	City	Licensed Psychiatric Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
AR	St. Bernard's Medical Center	Craighead	Jonesboro	60	na	na	na	na	na
AR	Great Plains Medical Center	Mississippi	Blytheville	20	na	na	na	na	na
AR	Forrest City Medical Center	St. Francis	Forrest City	18	na	na	na	na	na
MS	Parkland Behavioral Health- Psychiatric	DeSoto	Olive Branch	74	na	27,287	na	74.8	101.0%
MS	Parkland Behavioral Health-Chem. Dependency	DeSoto	Olive Branch	14	na	na	na	8.0	57.1%
MS	Tri-Lakes Medical Center- Psychiatric	Panola	Batesville	32	na	5,988	na	16.4	51.3%
MS	Tri-Lakes Medical Center- Chem. Dependency	Panola	Batesville	23	na	na	na	10.6	46.1%
MS	Alliance Healthcare System	Marshall	Holly Springs	20	na	1,787	na	4.9	24.5%
MS	North Oaks Regional Medical Center	Tate	Senatobia	12	na	2,114	na	5.8	48.3%
<b>MS PRIMARY SERVICE AREA TOTALS</b>				<b>273</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>120.5</b>	<b>44.1%</b>
2010									
State	Facility Name	County	City	Licensed Psychiatric Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
AR	St. Bernard's Medical Center	Craighead	Jonesboro	60	na	na	na	na	na
AR	Great Plains Medical Center	Mississippi	Blytheville	20	na	na	na	na	na
AR	Forrest City Medical Center	St. Francis	Forrest City	18	na	na	na	na	na
MS	Parkland Behavioral Health- Psychiatric	DeSoto	Olive Branch	74	na	19,786	na	54.2	73.3%
MS	Parkland Behavioral Health-Chem. Dependency	DeSoto	Olive Branch	14	na	na	na	5.6	40.0%
MS	Tri-Lakes Medical Center- Psychiatric	Panola	Batesville	32	na	2,541	na	7.0	21.8%
MS	Tri-Lakes Medical Center- Chem. Dependency	Panola	Batesville	23	na	na	na	5.7	24.9%
MS	Alliance Healthcare System	Marshall	Holly Springs	20	na	1,421	na	3.9	19.5%
MS	North Oaks Regional Medical Center	Tate	Senatobia	12	na	2,097	na	5.7	47.9%
<b>MS PRIMARY SERVICE AREA TOTALS</b>				<b>175</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>82.1</b>	<b>46.9%</b>

Notes: 1. Arkansas does not release hospital-specific data. Bed complements were published by Arkansas Hospital Association.  
2. Mississippi publishes very limited data, available from "State Health Plan" tables on web, in which 2010 utilization data is the most recent.

**C(I).6. PROVIDE APPLICABLE UTILIZATION AND/OR OCCUPANCY STATISTICS FOR YOUR INSTITUTION FOR EACH OF THE PAST THREE (3) YEARS AND THE PROJECTED ANNUAL UTILIZATION FOR EACH OF THE TWO (2) YEARS FOLLOWING COMPLETION OF THE PROJECT. ADDITIONALLY, PROVIDE THE DETAILS REGARDING THE METHODOLOGY USED TO PROJECT UTILIZATION. THE METHODOLOGY MUST INCLUDE DETAILED CALCULATIONS OR DOCUMENTATION FROM REFERRAL SOURCES, AND IDENTIFICATION OF ALL ASSUMPTIONS.**

This is a proposed hospital, so it has no historical utilization. Its utilization during its first two years of operation is projected in the table below.

<b>Table Fifteen: Crestwyn Behavioral Health Projected Utilization Years One and Two 2016-2017</b>		
	<b>Year One</b>	<b>Year Two</b>
Admissions	1,020 admissions	1,776 admissions
Patient Days	9,795 days	16,225 days
Average Daily Census	26.9 patients	44.5 patients
Average Annual Occupancy	44.8%	74.1%

*Source: Acadia corporate management.*

**C(II)1. PROVIDE THE COST OF THE PROJECT BY COMPLETING THE PROJECT COSTS CHART ON THE FOLLOWING PAGE. JUSTIFY THE COST OF THE PROJECT.**

- ALL PROJECTS SHOULD HAVE A PROJECT COST OF AT LEAST \$3,000 ON LINE F (MINIMUM CON FILING FEE). CON FILING FEE SHOULD BE CALCULATED ON LINE D.

- THE COST OF ANY LEASE (BUILDING, LAND, AND/OR EQUIPMENT) SHOULD BE BASED ON FAIR MARKET VALUE OR THE TOTAL AMOUNT OF THE LEASE PAYMENTS OVER THE INITIAL TERM OF THE LEASE, WHICHEVER IS GREATER. NOTE: THIS APPLIES TO ALL EQUIPMENT LEASES INCLUDING BY PROCEDURE OR "PER CLICK" ARRANGEMENTS. THE METHODOLOGY USED TO DETERMINE THE TOTAL LEASE COST FOR A "PER CLICK" ARRANGEMENT MUST INCLUDE, AT A MINIMUM, THE PROJECTED PROCEDURES, THE "PER CLICK" RATE AND THE TERM OF THE LEASE.

- THE COST FOR FIXED AND MOVEABLE EQUIPMENT INCLUDES, BUT IS NOT NECESSARILY LIMITED TO, MAINTENANCE AGREEMENTS COVERING THE EXPECTED USEFUL LIFE OF THE EQUIPMENT; FEDERAL, STATE, AND LOCAL TAXES AND OTHER GOVERNMENT ASSESSMENTS; AND INSTALLATION CHARGES, EXCLUDING CAPITAL EXPENDITURES FOR PHYSICAL PLANT RENOVATION OR IN-WALL SHIELDING, WHICH SHOULD BE INCLUDED UNDER CONSTRUCTION COSTS OR INCORPORATED IN A FACILITY LEASE.

- FOR PROJECTS THAT INCLUDE NEW CONSTRUCTION, MODIFICATION, AND/OR RENOVATION; DOCUMENTATION MUST BE PROVIDED FROM A CONTRACTOR AND/OR ARCHITECT THAT SUPPORT THE ESTIMATED CONSTRUCTION COSTS.

The architect's letter supporting the construction cost estimate is provided in Attachment C, Economic Feasibility--1.

On the Project Costs Chart, following this response:

Line A.1, A&E fees, were estimated by the project architect.

Line A.2, legal, administrative, and consultant fees, were estimated by Acadia Healthcare corporate development staff.

Line A.4, site preparation cost, was estimated by Acadia Healthcare corporate development staff.

Line A.5, construction cost, was estimated by Acadia Healthcare corporate development staff.

Line A.6, contingency, was estimated by Acadia Healthcare corporate development staff at 12% of construction costs in line A.5.

Line A.7 includes both fixed and moveable equipment costs, estimated by Acadia Healthcare corporate development staff.

Line A.9 includes such costs as miscellaneous minor equipment and furnishings, miscellaneous fees and overhead, telecommunications and information systems, and Acadia's costs associated with closure of hospital beds at other locations.

Line B.3 is the fair market value of the project site that Baptist Memorial Health Services, Inc., is contributing to the project when it is granted a 20% membership interest in the applicant LLC.



## PROJECT COSTS CHART—CRESTWYN BEHAVIORAL HEALTH

## A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees	7% of A.5	998,375
2. Legal, Administrative, Consultant Fees (Excl CON Filing)		75,000
3. Acquisition of Site		0
4. Preparation of Site		1,500,000
5. Construction Cost	58,250 GSF X \$244.85 PSF	14,262,500
6. Contingency Fund	12% of A.5	1,711,500
7. Fixed Equipment (Not in A.5) in A.8		0
8. Moveable Equipment (List all equipment over \$50,000)		2,000,000
9. Other (Specify)	telecomm/IS/Furnishgs/Misc Fees	500,000
	contingency for closure of other beds	3,000,000

## B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land)	0
2. Building only	0
3. Land only	1,678,500
4. Equipment (Specify)	0
5. Other (Specify)	0

## C. Financing Costs and Fees:

1. Interim Financing*	1,104,987
2. Underwriting Costs	0
3. Reserve for One Year's Debt Service	0
4. Other (Specify)	0

D. Estimated Project Cost  
(A+B+C)

26,830,862

## E. CON Filing Fee statutory maximum

45,000

## F. Total Estimated Project Cost (D+E)

TOTAL \$ 26,875,862

Actual Capital Cost 25,197,362  
Section B FMV 1,678,500

\*interim interest calculation--18 mo. Construction period assumed  
.5 X 21,047,375 X .07 X 1.5

**C(II).2. IDENTIFY THE FUNDING SOURCES FOR THIS PROJECT.**

**a. PLEASE CHECK THE APPLICABLE ITEM(S) BELOW AND BRIEFLY SUMMARIZE HOW THE PROJECT WILL BE FINANCED. (DOCUMENTATION FOR THE TYPE OF FUNDING MUST BE INSERTED AT THE END OF THE APPLICATION, IN THE CORRECT ALPHANUMERIC ORDER AND IDENTIFIED AS ATTACHMENT C, ECONOMIC FEASIBILITY--2).**

       **A. Commercial Loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**

       **B. Tax-Exempt Bonds--copy of preliminary resolution or a letter from the issuing authority, stating favorable contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;**

       **C. General Obligation Bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting;**

       **D. Grants--Notification of Intent form for grant application or notice of grant award;**

  x   **E. Cash Reserves--Appropriate documentation from Chief Financial Officer; or**

       **F. Other--Identify and document funding from all sources.**

All capital costs of the project will be provided through cash transfers from Acadia Healthcare, the applicant's ultimate parent company. Documentation of intention to provide that funding is included in Attachment C, Economic Feasibility--2, along with the income statement and balance sheet of Acadia Healthcare.

**C(II).3. DISCUSS AND DOCUMENT THE REASONABLENESS OF THE PROPOSED PROJECT COSTS. IF APPLICABLE, COMPARE THE COST PER SQUARE FOOT OF CONSTRUCTION TO SIMILAR PROJECTS RECENTLY APPROVED BY THE HSDA.**

The justification of costs was provided in an earlier section, repeated here:

The Crestwyn Behavioral Health facility will be cost-effective and consistent with those averages. The project's estimated construction cost is approximately \$244.85 PSF, consistent with the HSDA's published median cost PSF in those years.

<b>Table Two (Repeated): Construction Costs</b>	
Square Feet	58,250 GSF
Construction Cost	\$14,262,500
Construction Cost PSF	\$244.85 PSF

Hospital construction projects approved by the HSDA in 2010-2012 had the following average construction costs per SF:

<b>Table Five (Repeated): Hospital Construction Cost PSF Years: 2010 – 2012</b>			
	Renovated Construction	New Construction	Total Construction
1 <sup>st</sup> Quartile	\$99.12/sq ft	\$234.64/sq ft	\$167.99/sq ft
<b>Median</b>	\$177.60/sq ft	<b>\$259.66/sq ft</b>	\$235.00/sq ft
3 <sup>rd</sup> Quartile	\$249.00/sq ft	\$307.80/sq ft	\$274.63/sq ft

*Source: CON approved applications for years 2010 through 2012*

**C(II).4. COMPLETE HISTORICAL AND PROJECTED DATA CHARTS ON THE FOLLOWING TWO PAGES--DO NOT MODIFY THE CHARTS PROVIDED OR SUBMIT CHART SUBSTITUTIONS. HISTORICAL DATA CHART REPRESENTS REVENUE AND EXPENSE INFORMATION FOR THE LAST THREE (3) YEARS FOR WHICH COMPLETE DATA IS AVAILABLE FOR THE INSTITUTION. PROJECTED DATA CHART REQUESTS INFORMATION FOR THE TWO YEARS FOLLOWING COMPLETION OF THIS PROPOSAL. PROJECTED DATA CHART SHOULD INCLUDE REVENUE AND EXPENSE PROJECTIONS FOR THE PROPOSAL ONLY (I.E., IF THE APPLICATION IS FOR ADDITIONAL BEDS, INCLUDE ANTICIPATED REVENUE FROM THE PROPOSED BEDS ONLY, NOT FROM ALL BEDS IN THE FACILITY).**

This project will be a new hospital, so it has no historical income and expense information.

See the following page for the Projected Data Chart, presenting income and expense projections for the project's first two operating years.

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PROJECTED DATA CHART—CRESTWYN BEHAVIORAL HEALTH

Give information for the two (2) years following the completion of this proposal.  
The fiscal year begins in January.

		Year One 1020	Year Two 1776
A.	Utilization Data		
	Admissions		
	Patient Days	9,795	16,225
B.	Revenue from Services to Patients		
1.	Inpatient Services	\$ 12,243,750	\$ 20,686,875
2.	Outpatient Services	1,836,563	4,137,375
3.	Emergency Services		
4.	Other Operating Revenue (Specify)		
	<b>Gross Operating Revenue</b>	<b>\$ 14,080,313</b>	<b>\$ 24,824,250</b>
C.	Deductions for Operating Revenue		
1.	Contractual Adjustments	\$ 5,632,125	\$ 10,177,943
2.	Provision for Charity Care	140,803	248,243
3.	Provisions for Bad Debt	352,008	744,728
	<b>Total Deductions</b>	<b>\$ 6,124,936</b>	<b>\$ 11,170,913</b>
	<b>NET OPERATING REVENUE</b>	<b>\$ 7,955,377</b>	<b>\$ 13,653,338</b>
D.	Operating Expenses		
1.	Salaries and Wages	\$ 4,614,118	\$ 8,055,469
2.	Physicians Salaries and Wages	350,000	450,000
3.	Supplies	517,099	955,734
4.	Taxes	300,000	310,000
5.	Depreciation	450,000	460,000
6.	Rent		
7.	Interest, other than Capital		
8.	Management Fees		
a.	Fees to Affiliates	159,108	273,067
b.	Fees to Non-Affiliates		
9.	Other Expenses (Specify)	795,538	1,365,334
	Dues, Utilities, Insurance, and Prop Taxes.		
	<b>Total Operating Expenses</b>	<b>\$ 7,185,863</b>	<b>\$ 11,869,603</b>
E.	Other Revenue (Expenses) -- Net (Specify)	\$	\$
	<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ 769,513</b>	<b>\$ 1,783,734</b>
F.	Capital Expenditures		
1.	Retirement of Principal	\$ 0	\$ 0
2.	Interest	600,000	600,000
	<b>Total Capital Expenditures</b>	<b>\$ 600,000</b>	<b>\$ 600,000</b>
	<b>NET OPERATING INCOME (LOSS)</b>		
	<b>LESS CAPITAL EXPENDITURES</b>	<b>\$ 169,513</b>	<b>\$ 1,183,734</b>

Crestwyn Behavioral Health  
D9: Detail of Other Operating Expenses

	Year 1	Year 2
Professional Fees	\$45,580	\$102,200
Contract Services	\$158,860	\$288,600
Repairs	\$85,150	\$110,000
Marketing	\$125,555	\$225,350
Travel	\$15,500	\$25,240
Education	\$22,500	\$48,400
Utilities	\$120,000	\$126,000
Dues	\$42,500	\$55,770
Postage	\$14,150	\$18,885
Insurance	\$145,550	\$310,880
Other	\$20,193	\$54,009
	<u>\$795,538</u>	<u>\$1,365,334</u>

**C(II).5. PLEASE IDENTIFY THE PROJECT'S AVERAGE GROSS CHARGE, AVERAGE DEDUCTION FROM OPERATING REVENUE, AND AVERAGE NET CHARGE.**

<b>Table Sixteen: Average Charges, Deductions, Net Charges, Net Operating Income</b>		
	<b>2016</b>	<b>2017</b>
Patient Days	9,795	16,225
Admissions or Discharges	1,020	1,776
Average Total Gross Charge Per Day	\$1,438	\$1,530
Average Total Gross Charge Per Admission	\$13,804	\$13,978
Average Deduction from Operating Revenue per Day	\$625	\$689
Average Deduction from Operating Revenue per Admission	\$6,005	\$6,290
Average Net Charge (Net Operating Revenue) Per Day	\$812	\$842
Average Net Charge (Net Operating Revenue) Per Admission	\$7,799	\$7,688
Average Net Operating Income after Expenses, Per Day	\$79	\$110
Average Net Operating Income after Expenses, Per Admission	\$754	\$1,004

*Source: Acadia Healthcare corporate development staff. Data calculations are from the Crestwyn Projected Data Chart preceding this page. Dollars are rounded.*

**C(II).6.A. PLEASE PROVIDE THE CURRENT AND PROPOSED CHARGE SCHEDULES FOR THE PROPOSAL. DISCUSS ANY ADJUSTMENT TO CURRENT CHARGES THAT WILL RESULT FROM THE IMPLEMENTATION OF THE PROPOSAL. ADDITIONALLY, DESCRIBE THE ANTICIPATED REVENUE FROM THE PROPOSED PROJECT AND THE IMPACT ON EXISTING PATIENT CHARGES.**

Not applicable. This is a proposed new facility.

**C(II).6.B. COMPARE THE PROPOSED CHARGES TO THOSE OF SIMILAR FACILITIES IN THE SERVICE AREA/ADJOINING SERVICE AREAS, OR TO PROPOSED CHARGES OF PROJECTS RECENTLY APPROVED BY THE HSDA. IF APPLICABLE, COMPARE THE PROJECTED CHARGES OF THE PROJECT TO THE CURRENT MEDICARE ALLOWABLE FEE SCHEDULE BY COMMON PROCEDURE TERMINOLOGY (CPT) CODE(S).**

The projected charges for the Crestwyn project in 2016 are consistent with the reported charges for private psychiatric hospitals in this area in 2012, when allowance is made for periodic charge increases by existing hospitals, over a three-year period.

The following page contains a chart showing the most frequent procedures to be performed, with their current Medicare reimbursement, and their projected Years One and Two utilization and average gross charges.

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CRESTWYN BEHAVIORAL HEALTH  
GROSS CHARGE DATA FOR MOST FREQUENT SERVICES

SERVICE: Psychiatric Care

DRG	Descriptor	Current Medicare Allowable	Average Gross Charge/Case			Utilization (Admissions)		
			Current	Year 1	Year 2	Current	Year 1	Year 2
885	PSYCHOSES	1,518.95		21,259	22,109		411	713
57	DEGENERATIVE NERVOUS SYSTEM DISORDE	2,231.50		32,090	33,374		103	178
884	ORGANIC DISTURBANCES & MENTAL RETAR	2,052.87		32,329	33,622		69	119
881	DEPRESSIVE NEUROSES	1,668.47		13,711	14,259		69	119
56	DEGENERATIVE NERVOUS SYSTEM DISORDE	2,675.14		34,533	35,914		34	59

SERVICE: Chemical Dependency

DRG	Descriptor	Current Medicare Allowable	Average Gross Charge/Case			Utilization (Admissions)		
			Current	Year 1	Year 2	Current	Year 1	Year 2
897	ALCOHOL/DRUG ABUSE OR DEPENDENCE W/	1,740.67		13,024	12,523		110	227
894	ALCOHOL/DRUG ABUSE OR DEPENDENCE, L	1,840.25		6,850	7,124		100	150
895	ALCOHOL/DRUG ABUSE OR DEPENDENCE W	1,071.00		11,360	11,814		100	150
896	ALCOHOL/DRUG ABUSE OR DEPENDENCE W/	2,630.23		11,919	12,396		25	60

**C(II).7. DISCUSS HOW PROJECTED UTILIZATION RATES WILL BE SUFFICIENT TO MAINTAIN COST-EFFECTIVENESS.**

Acadia is an experienced provider with a hospital already in this market. Its high utilization at Delta Medical Center since its acquisition in early 2013 gives Acadia assurance that the projected fill rates for these psychiatric and chemical dependency beds will generate a positive operating margin by Year Two.

**C(II).8. DISCUSS HOW FINANCIAL VIABILITY WILL BE ENSURED WITHIN TWO YEARS; AND DEMONSTRATE THE AVAILABILITY OF SUFFICIENT CASH FLOW UNTIL FINANCIAL VIABILITY IS MAINTAINED.**

Acadia's financial statements document the ability of Crestwyn's parent company to sustain the hospital until financial viability is achieved. A positive cash flow will be attained early in its operation because Acadia will be able to triage admissions between Delta Medical Center's and Crestwyn's programs to maintain viability at both locations.

**C(II).9. DISCUSS THE PROJECT'S PARTICIPATION IN STATE AND FEDERAL REVENUE PROGRAMS, INCLUDING A DESCRIPTION OF THE EXTENT TO WHICH MEDICARE, TENNCARE/MEDICAID, AND MEDICALLY INDIGENT PATIENTS WILL BE SERVED BY THE PROJECT. IN ADDITION, REPORT THE ESTIMATED DOLLAR AMOUNT OF REVENUE AND PERCENTAGE OF TOTAL PROJECT REVENUE ANTICIPATED FROM EACH OF TENNCARE, MEDICARE, OR OTHER STATE AND FEDERAL SOURCES FOR THE PROPOSAL'S FIRST YEAR OF OPERATION.**

Crestwyn will participate in all available TennCare MCO's and will seek to participate in the Medicaid programs of Arkansas and Mississippi. Indigent care of 1% of gross revenues is projected, within a 10% self-pay payor mix consisting of the underinsured, uninsured, and indigent. This is a minimum commitment; Acadia's other hospital in Memphis, Delta Medical Center, has even higher payor mixes of self-pay and indigent.

<b>Table Eighteen: Medicare and TennCare/Medicaid Revenues, Year One</b>		
	<b>Medicare</b>	<b>TennCare/Medicaid</b>
Gross Revenue	\$3,520,078	\$2,112,047
Percent of Gross Revenue	25%	15%

**C(II).10. PROVIDE COPIES OF THE BALANCE SHEET AND INCOME STATEMENT FROM THE MOST RECENT REPORTING PERIOD OF THE INSTITUTION, AND THE MOST RECENT AUDITED FINANCIAL STATEMENTS WITH ACCOMPANYING NOTES, IF APPLICABLE. FOR NEW PROJECTS, PROVIDE FINANCIAL INFORMATION FOR THE CORPORATION, PARTNERSHIP, OR PRINCIPAL PARTIES INVOLVED WITH THE PROJECT...**

These are provided as Attachment C, Economic Feasibility--10.

**C(II)11. DESCRIBE ALL ALTERNATIVES TO THIS PROJECT WHICH WERE CONSIDERED AND DISCUSS THE ADVANTAGES AND DISADVANTAGES OF EACH ALTERNATIVE, INCLUDING BUT NOT LIMITED TO:**

**A. A DISCUSSION REGARDING THE AVAILABILITY OF LESS COSTLY, MORE EFFECTIVE, AND/OR MORE EFFICIENT ALTERNATIVE METHODS OF PROVIDING THE BENEFITS INTENDED BY THE PROPOSAL. IF DEVELOPMENT OF SUCH ALTERNATIVES IS NOT PRACTICABLE, THE APPLICANT SHOULD JUSTIFY WHY NOT, INCLUDING REASONS AS TO WHY THEY WERE REJECTED.**

**B. THE APPLICANT SHOULD DOCUMENT THAT CONSIDERATION HAS BEEN GIVEN TO ALTERNATIVES TO NEW CONSTRUCTION, E.G., MODERNIZATION OR SHARING ARRANGEMENTS. IT SHOULD BE DOCUMENTED THAT SUPERIOR ALTERNATIVES HAVE BEEN IMPLEMENTED TO THE MAXIMUM EXTENT PRACTICABLE.**

When Acadia acquired Delta Medical Center in late January 2013, Delta was financially distressed to the point of near-insolvency. By addressing operational issues at Delta and by marketing its services to a wide region in need of psychiatric care, Delta has gotten on a path to financial stability. With special assistance, Delta can continue serving an immediate community with a challenging lower-income payor mix. One form of assistance is extra Medicare reimbursement based on Medicare designation as a Disproportionate Share Hospital (DSH) due to an unusually high Medicare and TennCare payor mix. Delta's DSH designation must be maintained and, because DSH designation is not available to facilities of less than 100 medical-surgical beds, it would be lost if Delta converted 60 medical-surgical beds to psychiatric beds,

In addition, architectural analysis (see report in the Attachments) has found that design options to convert significant numbers of Delta's medical-surgical beds to psychiatric beds would not be financially feasible. Issues identified included the following:

- The renovation required to convert a significant number of beds would trigger licensing requirements to extensively upgrade Delta's old facility to meet current codes. This would result in a massive capital expenditure that ultimately would not capture many new psychiatric beds; the cost per bed gained would be close to that of the new facility being proposed.

- New construction to add beds on the ground level is not feasible due to issues of insufficient land, or loss of needed parking spaces, or blocking of delivery areas behind the hospital, or fragmentation of the psych services into two different areas of the property.

Another consideration for Acadia, and for the community residing around Delta Medical Center, is the need for Acadia to develop the sort of broader system-wide payor mix for its facilities that is enjoyed by the other hospital systems in Memphis. With a facility at Delta's location, plus new bed capacity in the high-growth area of Germantown, Acadia's operations can become more financially balanced. Acadia can continue to invest significantly in upgrading Delta Medical Center and in new physician recruitment.

**C(III).1. LIST ALL EXISTING HEALTH CARE PROVIDERS (I.E., HOSPITALS, NURSING HOMES, HOME CARE ORGANIZATIONS, ETC.) MANAGED CARE ORGANIZATIONS, ALLIANCES, AND/OR NETWORKS WITH WHICH THE APPLICANT CURRENTLY HAS OR PLANS TO HAVE CONTRACTUAL AND/OR WORKING RELATIONSHIPS, E.G., TRANSFER AGREEMENTS, CONTRACTUAL AGREEMENTS FOR HEALTH SERVICES.**

The applicant will seek transfer agreements with Delta, Baptist, Methodist, the MED, and other service area hospitals, including facilities in Mississippi and Arkansas, in the designated primary service area. It is premature to identify other types of relationships that would develop as the facility becomes operational. It will, of course, have coordination of operations with Delta Medical Center in a variety of activities including marketing, admissions, discharges, and program development and operation.

**C(III).2. DESCRIBE THE POSITIVE AND/OR NEGATIVE EFFECTS OF THE PROPOSAL ON THE HEALTH CARE SYSTEM. PLEASE BE SURE TO DISCUSS ANY INSTANCES OF DUPLICATION OR COMPETITION ARISING FROM YOUR PROPOSAL, INCLUDING A DESCRIPTION OF THE EFFECT THE PROPOSAL WILL HAVE ON THE UTILIZATION RATES OF EXISTING PROVIDERS IN THE SERVICE AREA OF THE PROJECT.**

The applicant believes that replacing/relocating existing hospitals' licensed beds within Shelby County, from areas of underutilization to areas where they will be more highly utilized, is a very positive thing for the local health system. Acadia is able to do this in a way that will not add any hospital beds to Shelby County. It is Acadia's expectation that, through collaboration with another hospital system, this could even be done without increasing psychiatric bed complements in Memphis. But either way, this project will support the State Health Plan's objectives that providers and regulators collaborate to improve quality, accessibility, and competition, as well as considering bed needs appropriately. And CON denial of this collaborative project would do nothing at all to improve quality, accessibility, or competition in psychiatric care. Finally, it seems that adding only 5% more psychiatric beds to the Tennessee service area's licensed complements would not be a significant adverse event within a twenty-county primary service area.

When facilities relocate in this manner, it is difficult to quantify their impact on similar service providers a half hour drive or more away across an urban area. And, it is difficult to assess the additional demand for psychiatric services that may arise in the three-State service area as a result of the Affordable Care Act's phased-in implementation. Acadia anticipates that Crestwyn's projected admissions will result from a combination of (a) additional area residents seeking services, (b) some relocation of admissions from Delta Medical Center, and (c) a shift of some admissions broadly distributed across other psychiatric providers in Memphis.

**C(III).3. PROVIDE THE CURRENT AND/OR ANTICIPATED STAFFING PATTERN FOR ALL EMPLOYEES PROVIDING PATIENT CARE FOR THE PROJECT. THIS CAN BE REPORTED USING FTE'S FOR THESE POSITIONS. IN ADDITION, PLEASE COMPARE THE CLINICAL STAFF SALARIES IN THE PROPOSAL TO PREVAILING WAGE PATTERNS IN THE SERVICE AREA AS PUBLISHED BY THE TENNESSEE DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT AND/OR OTHER DOCUMENTED SOURCES.**

Please see the following page for a chart of projected FTE's and salary ranges.

The Department of Labor and Workforce Development website indicates the following Memphis area's annual salary information for Crestwyn's types of clinical employees.

<b>Table Nineteen: TDOL Surveyed Average Salaries for the Region</b>				
<b>Position</b>	<b>Entry Level</b>	<b>Mean</b>	<b>Median</b>	<b>Experienced</b>
Dir. of Nursing	not surveyed			
RN	\$49,270	\$60,500	\$59,880	\$66,120
Nursing Assistant	\$19,410	\$23,760	\$23,130	\$25,940
Occupational Therapist	\$57,600	\$75,360	\$76,110	\$84,230
Activity (Recreat'l) Therapist	\$31,620	\$44,350	\$39,980	\$50,710
Social Worker (MH)	\$32,530	\$40,920	\$38,570	\$45,120
Infection Control	not surveyed			
Outreach Coordinator	not surveyed			



Table Twenty (Revised Supplemental)--Crestwyn Behavioral Health Projected Clinical Staffing				
Position Type (RN, etc.)	Current FTE's	Year One FTE's	Year Two FTE's	Salary Range (Hourly or Annual)
Director of Nursing		1	1	\$100,000 Annual
Outreach Coordinator		2	3	\$54,000 Annual
QA/Infection Control		1	1	\$55,000 Annual
Social Worker/Case Managers		2	3	\$55,000 Annual
Activity Therapist		1	1.5	\$42,000 Annual
Occupational Therapist		1	1	\$65,000 Annual
Registered Nurses		8	12	\$60,000 Annual
Nursing Assistants/Psychiatric Techs		16	24	\$24,000 Annual
Outpatient Therapists		2	3	\$45,000 Annual
LADAC		1	2	\$45,000 Annual
LCSW		3	6	\$42,000 Annual
MSW		3	6	\$40,000 Annual
<b>Total FTE's</b>		41	63.5	
Medical Directors (Contract Employees)				
Hospital Medical Director		0.3	0.5	\$175.00/hr
Adult Unit Director		0.2	0.2	\$150.00/hr
D&A Unit Medical Director		0.2	0.2	\$150.00/hr
Adolescent Unit Director		0.2	0.2	\$150.00/hr
Geriatric Unit Director		0.2	0.2	\$150.00/hr

\* Psychological testing will be performed by LCSW and MSW rather than by Psychologists (PhD).  
Source: Acadia Healthcare

**C(III).4. DISCUSS THE AVAILABILITY OF AND ACCESSIBILITY TO HUMAN RESOURCES REQUIRED BY THE PROPOSAL, INCLUDING ADEQUATE PROFESSIONAL STAFF, AS PER THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, AND/OR THE DIVISION OF MENTAL RETARDATION SERVICES LICENSING REQUIREMENTS.**

The applicant already operates a hospital-based psychiatric inpatient program in Memphis, and understands those State requirements. Unlike Delta Medical Center, which is licensed as a general hospital by the Board for Licensing Healthcare Facilities of the Tennessee Department of Health, Crestwyn will be licensed by the Department of Mental Health and Substance Abuse Services (DMHSAS). Acadia operates similar hospitals nationally and believes that the human resources required by DMHSAS will be readily available on either the local, or the national, market.

**C(III).5. VERIFY THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSING CERTIFICATION AS REQUIRED BY THE STATE OF TENNESSEE FOR MEDICAL/CLINICAL STAFF. THESE INCLUDE, WITHOUT LIMITATION, REGULATIONS CONCERNING PHYSICIAN SUPERVISION, CREDENTIALING, ADMISSIONS PRIVILEGES, QUALITY ASSURANCE POLICIES AND PROGRAMS, UTILIZATION REVIEW POLICIES AND PROGRAMS, RECORD KEEPING, AND STAFF EDUCATION.**

The applicant so verifies.

**C(III).6. DISCUSS YOUR HEALTH CARE INSTITUTION'S PARTICIPATION IN THE TRAINING OF STUDENTS IN THE AREAS OF MEDICINE, NURSING, SOCIAL WORK, ETC. (I.E., INTERNSHIPS, RESIDENCIES, ETC.).**

The proposed facility will establish relationships with numerous health professions programs. Its sister hospital, Delta Medical Center, currently has the following clinical rotations in place with a dozen institutions. Many of these would be potential training relationships for a free-standing psychiatric facility as well as to DMC.

Christian Brothers University – Nursing students – average 5-7

Christian Brothers University – Counselors Masters & Bachelors – average 3 a semester

University of Memphis – Nursing students – average 5

University of Memphis – Counselors Masters & Bachelors – average 3

University of Memphis – Dietitian Program – average 1

Bowling Green State – Dietitian Program – average 1

Victory University – Counselors Bachelors – average 1

Southwest – Radiology Students – average 2

Concorde – Radiology Students – average 1

Concorde – Nursing students – average 30 do clinical rotation

Baptist School of Nursing – average 10 do clinical rotation in Behavioral Health departments

In addition to these, as was stated earlier in the application, Acadia's local operations staff have initiated several meetings with the UT College of Medicine to explore training relationships at Delta and, if approved, at Crestwyn.

**C(III).7(a). PLEASE VERIFY, AS APPLICABLE, THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSURE REQUIREMENTS OF THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, THE DIVISION OF MENTAL RETARDATION SERVICES, AND/OR ANY APPLICABLE MEDICARE REQUIREMENTS.**

The applicant so verifies.

**C(III).7(b). PROVIDE THE NAME OF THE ENTITY FROM WHICH THE APPLICANT HAS RECEIVED OR WILL RECEIVE LICENSURE, CERTIFICATION, AND/OR ACCREDITATION**

**LICENSURE:** Board for Licensure of Healthcare Facilities  
Tennessee Department of Health

**CERTIFICATION:** Medicare Certification from CMS  
TennCare Certification from TDH

**ACCREDITATION:** Joint Commission

**C(III).7(c). IF AN EXISTING INSTITUTION, PLEASE DESCRIBE THE CURRENT STANDING WITH ANY LICENSING, CERTIFYING, OR ACCREDITING AGENCY OR AGENCY.**

The applicant is a proposed institution.

**C(III).7(d). FOR EXISTING LICENSED PROVIDERS, DOCUMENT THAT ALL DEFICIENCIES (IF ANY) CITED IN THE LAST LICENSURE CERTIFICATION AND INSPECTION HAVE BEEN ADDRESSED THROUGH AN APPROVED PLAN OF CORRECTION. PLEASE INCLUDE A COPY OF THE MOST RECENT LICENSURE/CERTIFICATION INSPECTION WITH AN APPROVED PLAN OF CORRECTION.**

The applicant is a proposed institution.

**C(III)8. DOCUMENT AND EXPLAIN ANY FINAL ORDERS OR JUDGMENTS ENTERED IN ANY STATE OR COUNTRY BY A LICENSING AGENCY OR COURT AGAINST PROFESSIONAL LICENSES HELD BY THE APPLICANT OR ANY ENTITIES OR PERSONS WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE APPLICANT. SUCH INFORMATION IS TO BE PROVIDED FOR LICENSES REGARDLESS OF WHETHER SUCH LICENSE IS CURRENTLY HELD.**

None.

**C(III)9. IDENTIFY AND EXPLAIN ANY FINAL CIVIL OR CRIMINAL JUDGMENTS FOR FRAUD OR THEFT AGAINST ANY PERSON OR ENTITY WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE PROJECT.**

None.

**C(III)10. IF THE PROPOSAL IS APPROVED, PLEASE DISCUSS WHETHER THE APPLICANT WILL PROVIDE THE THSDA AND/OR THE REVIEWING AGENCY INFORMATION CONCERNING THE NUMBER OF PATIENTS TREATED, THE NUMBER AND TYPE OF PROCEDURES PERFORMED, AND OTHER DATA AS REQUIRED.**

Yes. The applicant will provide the requested data consistent with Federal HIPAA requirements.

**PROOF OF PUBLICATION**

Attached.

**DEVELOPMENT SCHEDULE**

**1. PLEASE COMPLETE THE PROJECT COMPLETION FORECAST CHART ON THE NEXT PAGE. IF THE PROJECT WILL BE COMPLETED IN MULTIPLE PHASES, PLEASE IDENTIFY THE ANTICIPATED COMPLETION DATE FOR EACH PHASE.**

The Project Completion Forecast Chart is provided after this page.

---

**2. IF THE RESPONSE TO THE PRECEDING QUESTION INDICATES THAT THE APPLICANT DOES NOT ANTICIPATE COMPLETING THE PROJECT WITHIN THE PERIOD OF VALIDITY AS DEFINED IN THE PRECEDING PARAGRAPH, PLEASE STATE BELOW ANY REQUEST FOR AN EXTENDED SCHEDULE AND DOCUMENT THE "GOOD CAUSE" FOR SUCH AN EXTENSION.**

Not applicable. The applicant anticipates completing the project within the period of validity.

**PROJECT COMPLETION FORECAST CHART**

Enter the Agency projected Initial Decision Date, as published in Rule 68-11-1609(c):

1-22-14

Assuming the CON decision becomes the final Agency action on that date, indicate the number of days from the above agency decision date to each phase of the completion forecast.

<b>PHASE</b>	<b>DAYS REQUIRED</b>	<b>Anticipated Date (MONTH /YEAR)</b>
1. Architectural & engineering contract signed	8	2-1-14
2. Construction documents approved by TDH	158	7-1-14
3. Construction contract signed	172	7-15-14
4. Building permit secured	186	8-1-14
5. Site preparation completed	246	9-30-14
6. Building construction commenced	247	10-1-14
7. Construction 40% complete	337	1-1-15
8. Construction 80% complete	427	4-1-15
9. Construction 100% complete	517	7-1-15
10. * Issuance of license	531	7-15-15
11. *Initiation of service	546	8-1-15
12. Final architectural certification of payment	606	10-1-15
13. Final Project Report Form (HF0055)	666	12-1-15

**\* For projects that do NOT involve construction or renovation: please complete items 10-11 only.**

**Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.**

## INDEX OF ATTACHMENTS

A.4	Ownership--Legal Entity and Organization Chart (if applicable)
A.6	Site Control
B.II.A.	Square Footage and Costs Per Square Footage Chart
B.III.	Plot Plan
B.IV.	Floor Plan
C, Need--3	Service Area Maps
C, Economic Feasibility--1	Documentation of Construction Cost Estimate
C, Economic Feasibility--2	Documentation of Availability of Funding
C, Economic Feasibility--10	Financial Statements
C, Orderly Development--7(C)	Licensing & Accreditation Inspections
Miscellaneous Information	
Support Letters	





*Improving the lives we touch.*

*Child, adolescent, adult and senior behavioral health treatment*

## Acadia Healthcare Leadership

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## Acadia Healthcare Leadership

Acadia Healthcare Senior Management Team has more than 130 years combined experience in the behavioral health industry. With extensive national experience and a proven track record in all key disciplines, our goal is to create a world-class organization that sets the standard of excellence in the treatment of specialty behavioral health and addiction disorders.

### **Joey A. Jacobs** Chairman & Chief Executive Officer

Joey A. Jacobs joined Acadia in February 2011 and has served as the Chairman of the Acadia board of directors and as Acadia's Chief Executive Officer since that time. Mr. Jacobs has extensive experience in the behavioral health industry. He co-founded Psychiatric Solutions, Inc. ("PSI") and served as Chairman, President and Chief Executive Officer of PSI from April 1997 to November 2010. Prior to founding PSI, Mr. Jacobs served for 21 years in various capacities with Hospital Corporation of America ("HCA," also formerly known as Columbia and Columbia/HCA), most recently as President of the Tennessee Division. Mr. Jacobs' background at HCA also included serving as president of HCA's Central Group, vice president of the Western Group, assistant vice president of the Central Group and assistant vice president of the Salt Lake City Division. The board of directors of Acadia believes that Mr. Jacob's qualifications to serve as a director include his 35 years of experience in the health care industry.

### **Brent Turner** President

Brent Turner joined Acadia in February 2011 and has served as a Co-President of Acadia since that time. Previously, Mr. Turner served as the Executive Vice President, Finance and Administration of PSI from August 2005 to November 2010 and as the Vice President, Treasurer and Investor Relations of PSI from February 2003 to August 2005. From late 2008 through 2010, Mr. Turner also served as a Division President of PSI overseeing facilities in Texas, Illinois and Minnesota. From 1996 until January 2001, Mr.

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Turner was employed by Corrections Corporation of America, a private prison operator, serving as Treasurer from 1998 to 2001.

**Ron Fincher**  
**Chief Operating Officer**

Ron Fincher joined Acadia in February 2011 and has served as Acadia's Chief Operating Officer since that time. Previously, Mr. Fincher served as PSI's Chief Operating Officer from October 2008 to November 2010. As Chief Operating Officer of PSI, Mr. Fincher oversaw hospital operations for 95 facilities. He had served PSI as a Division President since April 2003. As a Division President, Mr. Fincher was responsible for managing the operations of multiple inpatient behavioral health care facilities owned by the Company. Prior to joining PSI, Mr. Fincher served as a Regional Vice President of Universal Health Services, Inc. from 2000 until 2003.

**David Duckworth**  
**Chief Financial Officer**

Mr. Duckworth joined Acadia in April 2011, after having served since May 2010 as Director of Finance at Emdeon Inc., a leading provider of revenue and payment cycle management and clinical information exchange solutions, which was then a NYSE-listed company. Previously, Mr. Duckworth was a Manager with Ernst & Young LLP, which he joined in 2002. Among a number of healthcare clients he served at Ernst & Young, Mr. Duckworth worked with Psychiatric Solutions, Inc. (PSI) throughout that company's eight-year tenure as a public company, including a number of years in which he served as Audit Manager.

**Christopher L. Howard**  
**Executive Vice President, General Counsel**

Christopher L. Howard joined Acadia in February 2011 and has served as Acadia's Executive Vice President, General Counsel and Secretary since that time. Before joining Acadia, Mr. Howard served as PSI's Executive Vice President, General Counsel and Secretary from September 2005 to November 2010. Prior to joining PSI, Mr. Howard was a partner at of Waller Lansden Dortch & Davis, LLP, a law firm based in Nashville, Tennessee.

**Steve T. Davidson**  
**Chief Development Officer**

Steve T. Davidson joined Acadia in April 2012 and has served as Chief Development Officer since that time. Previously, Mr. Davidson served as Chief Development Officer of PSI from August 1997 to November 2010. Prior to joining PSI, Mr. Davidson was, from 1991 until 1997, Director of development at HCA, which he joined in 1983. Previously, he was a Senior Auditor with Ernst & Young LLP.

**Bruce A. Shear**  
**Executive Vice Chairman**

Bruce A. Shear has served as President, Chief Executive Officer and a director of PHC since 1980 and Treasurer of PHC from September 1993 until February 1996. Upon consummation of the merger, it is anticipated that Mr. Shear will be appointed as the Executive Vice Chairman and a director of Acadia. From 1976 to 1980, he served as Vice President, Financial Affairs, of PHC. The board of directors of Acadia believes that Mr. Shear is qualified to serve as a director due to, among other things, his extensive knowledge of and experience in the healthcare industry and his knowledge of PHC. Mr. Shear has served on the Board of Governors of the Federation of American Health Systems for over fifteen years and is currently a member of the Board of Directors of the

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National Association of Psychiatric Health Systems. Since November 2003, Mr. Shear has been a member of the Board of Directors of Vaso Active Pharmaceuticals, Inc., a company marketing and selling over-the-counter pharmaceutical products that incorporate Vaso's transdermal drug delivery technology.

**Arizona**

Parc-Place  
Sonora Behavioral Health

**Arkansas**

Ascent Children's Health Services  
Millcreek of Arkansas  
Piney Ridge Center  
Ridgeview Group Home  
Valley Behavioral Health System  
Vantage Point  
Riverview Behavioral Health

**Delaware**

MeadowWood Hospital

**Florida**

Park Royal Hospital

**Georgia**

Blue Ridge Mountain Recovery Center  
Greenleaf Centers  
Lakeview Behavioral Health  
RiverWoods Behavioral Health System

**Illinois**

Timberline Knolls

**Indiana**

Resolute Treatment Center  
Resource Treatment Center  
Options Behavioral Health System

**Louisiana**

Vermilion Behavioral Health Systems  
Acadiana Addiction Center

**Michigan**

Detroit Capstone Academy  
Harbor Oaks Hospital  
StoneCrest Center  
Wellplace Michigan

**Mississippi**

Millcreek of Magee  
Millcreek of Pontotoc

**Missouri**

Lakeland Behavioral Health System

**Montana**

Acadia Montana

**Nevada**

Harmony Healthcare  
Seven Hills Behavioral Institute

**New Mexico**

Desert Hills of New Mexico

**Ohio**

Ohio Hospital for Psychiatry  
Shaker Clinic  
Ten Lakes Center

**Oklahoma**

Rolling Hills Hospital

**Pennsylvania**

Southwood Hospital  
Wellplace Pennsylvania

**Tennessee**

Delta Medical Center  
The Village

**Texas**

Abilene Behavioral Health  
Cedar Crest Clinic  
Cedar Crest Hospital & RTC  
Red River Hospital

**Utah**

Highland Ridge Hospital  
Wellplace Utah

**Virginia**

Mount Regis Center

**Outside the US - Puerto Rico**

Hospital San Juan Capestrano, Rio Piedras, Puerto

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The terms "Acadia Healthcare," "Acadia," and the "company" as used in this website refer to Acadia Healthcare Company, Inc. and its affiliates, unless otherwise stated or indicated by context. The terms "facilities" and "centers" refer to entities owned, operated, or managed by subsidiaries or affiliates of Acadia Healthcare Company, Inc. References herein to "Acadia employees" or to "our employees" refer to employees of affiliates of Acadia Healthcare Company, Inc.

Optimized by SEO Ultimate

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**B.II.A.--Square Footage and Costs Per Square  
Footage Chart**

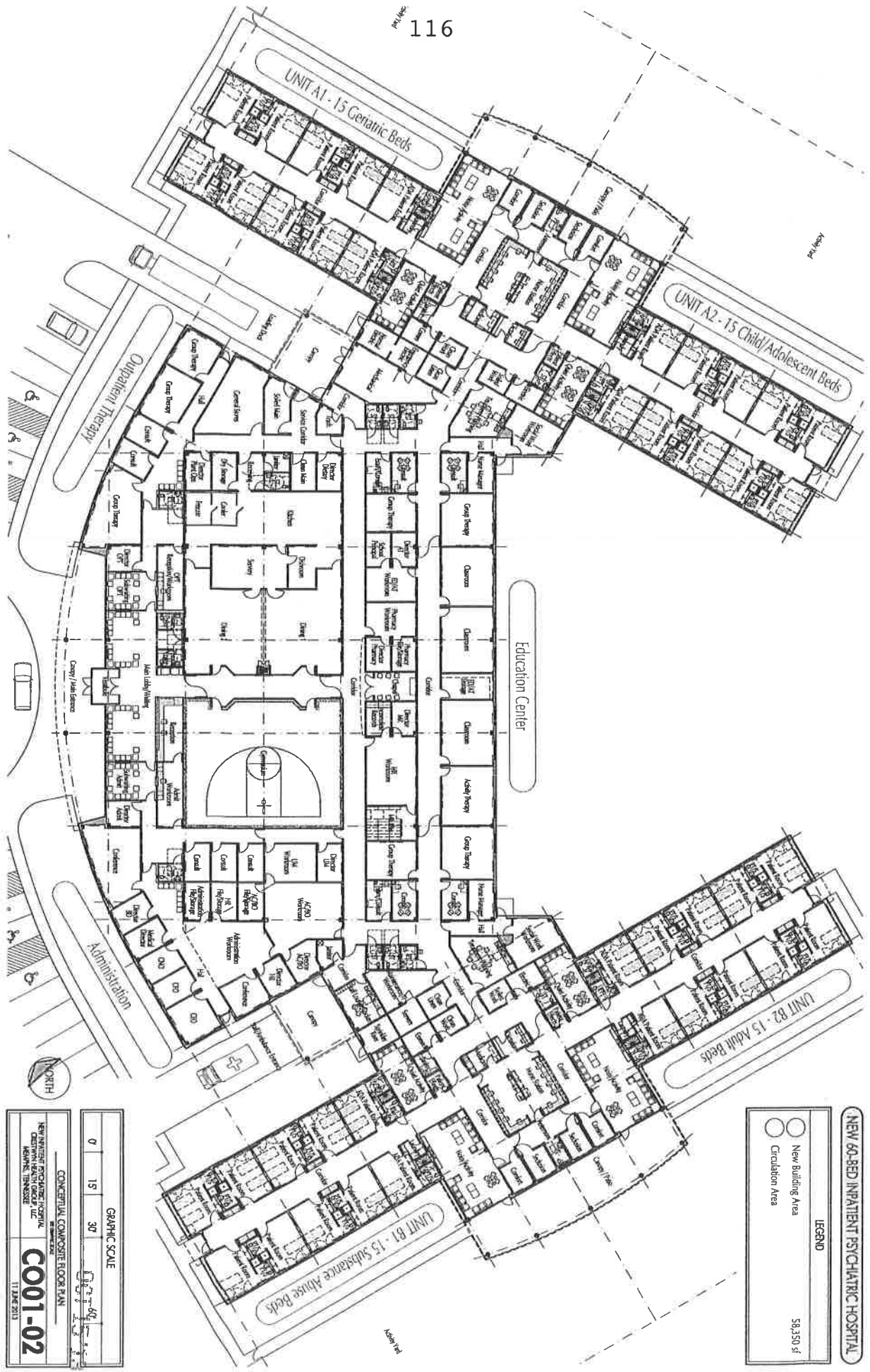
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**B.III.--Plot Plan**



## **B.IV.--Floor Plan**



**NEW 60-BED INPATIENT PSYCHIATRIC HOSPITAL**

**LEGEND**

○ New Building Area 59,350 sf

○ Circulation Area

**GRAPHIC SCALE**

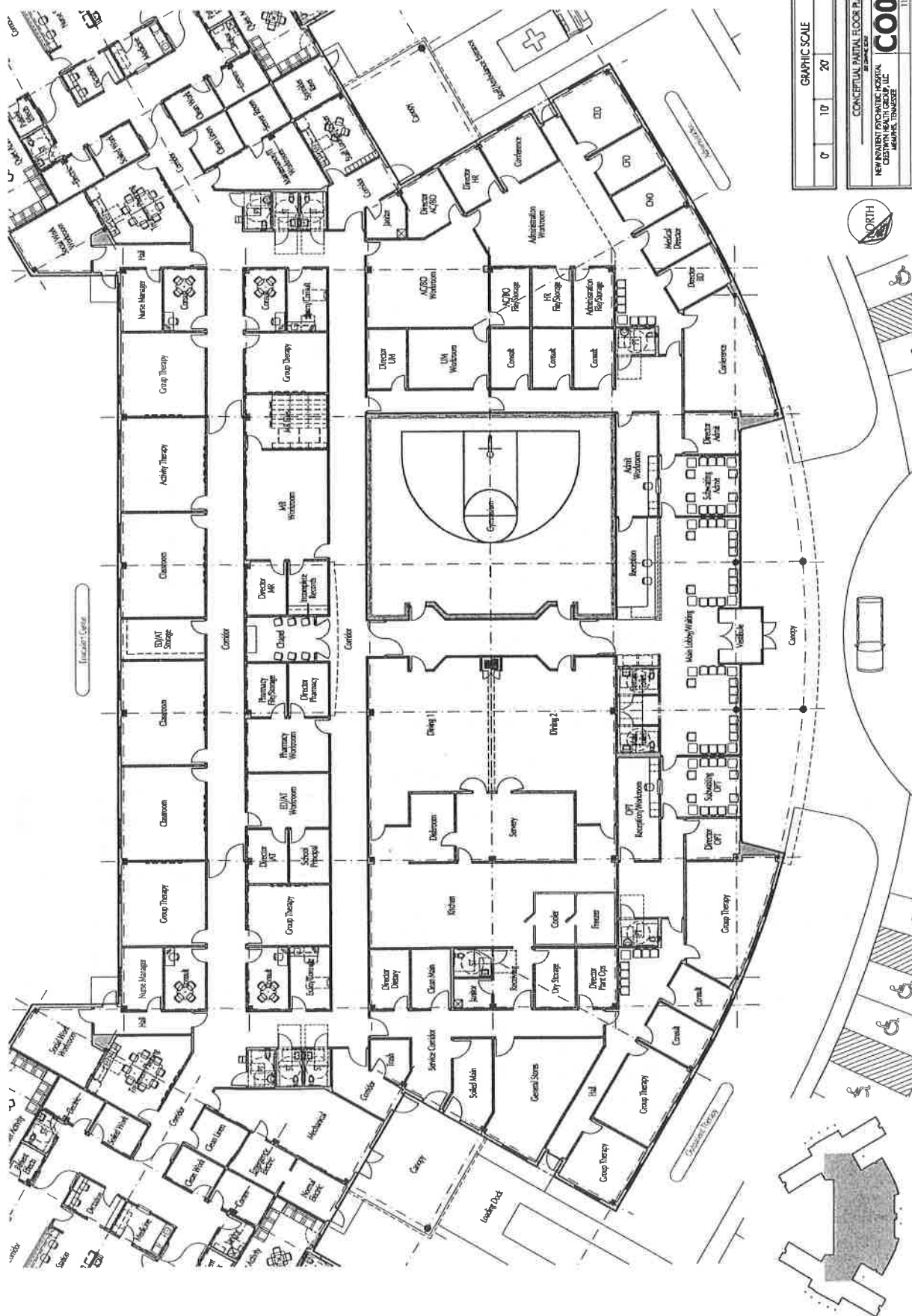
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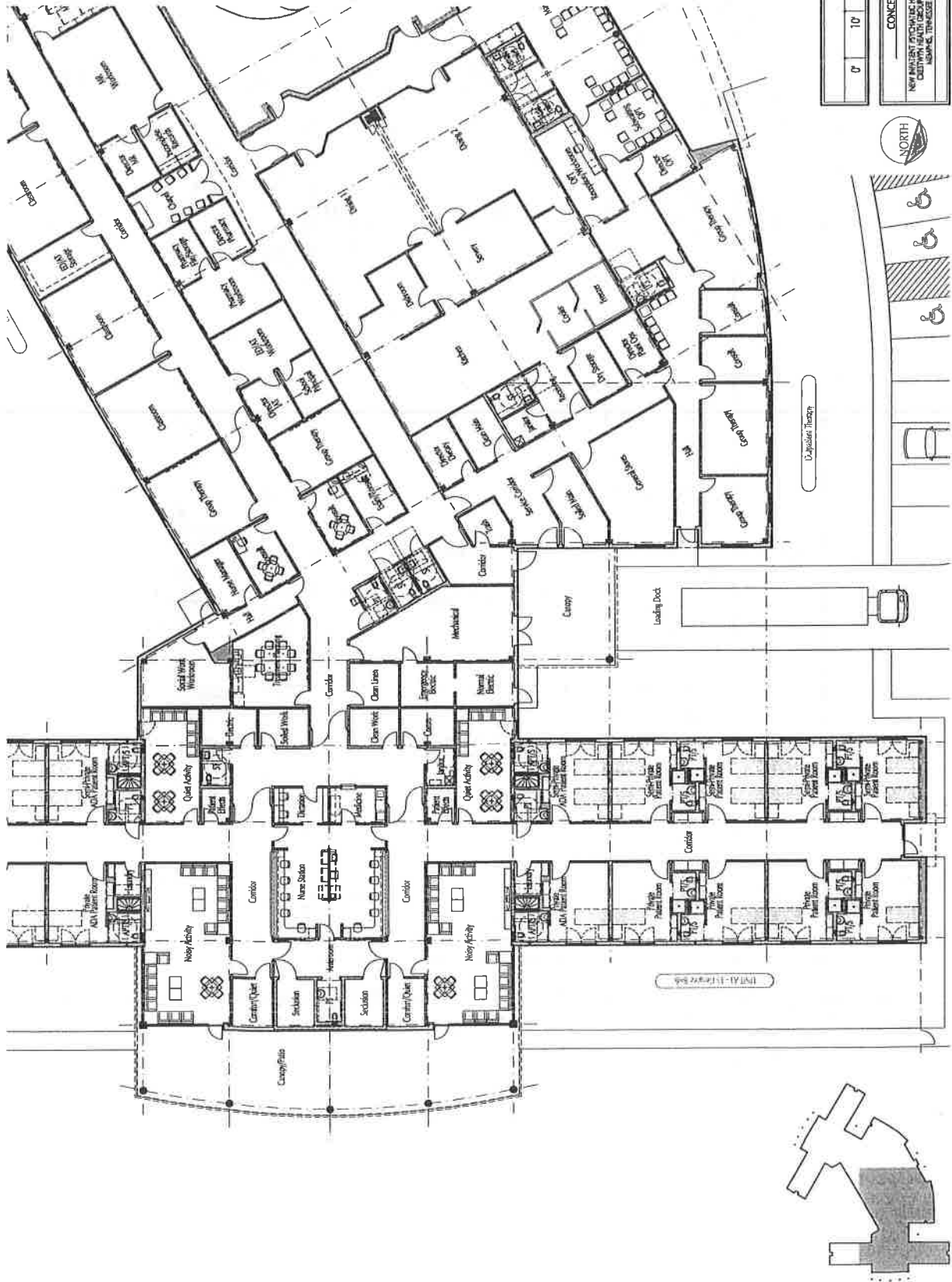
**CONCEPTUAL COMPOSITE FLOOR PLAN**

NEW INPATIENT PSYCHIATRIC HOSPITAL  
DESIGNED BY HKS, INC.  
11 JAN 2011

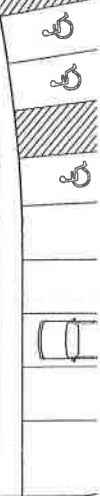
**C001-02**







GRAPHIC SCALE				
0'	10'	20'	40'	



CONCEPTUAL PARTIAL FLOOR PLAN

NEW HAVEN ARCHITECTURAL  
DESIGN PARTNERSHIP, LLC  
NEW HAVEN, CONNECTICUT

CO01-03B

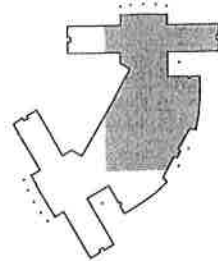
11 JAN 2012



GRAPHIC SCALE				
0	10	20	40	

CONCEPTUAL PATIENT FLOOR PLAN	
ASHLAND PATIENT HOSPITAL	
DESIGNED BY: [Firm Name]	
11 JUNE 2013	

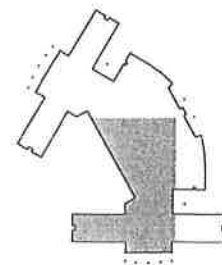


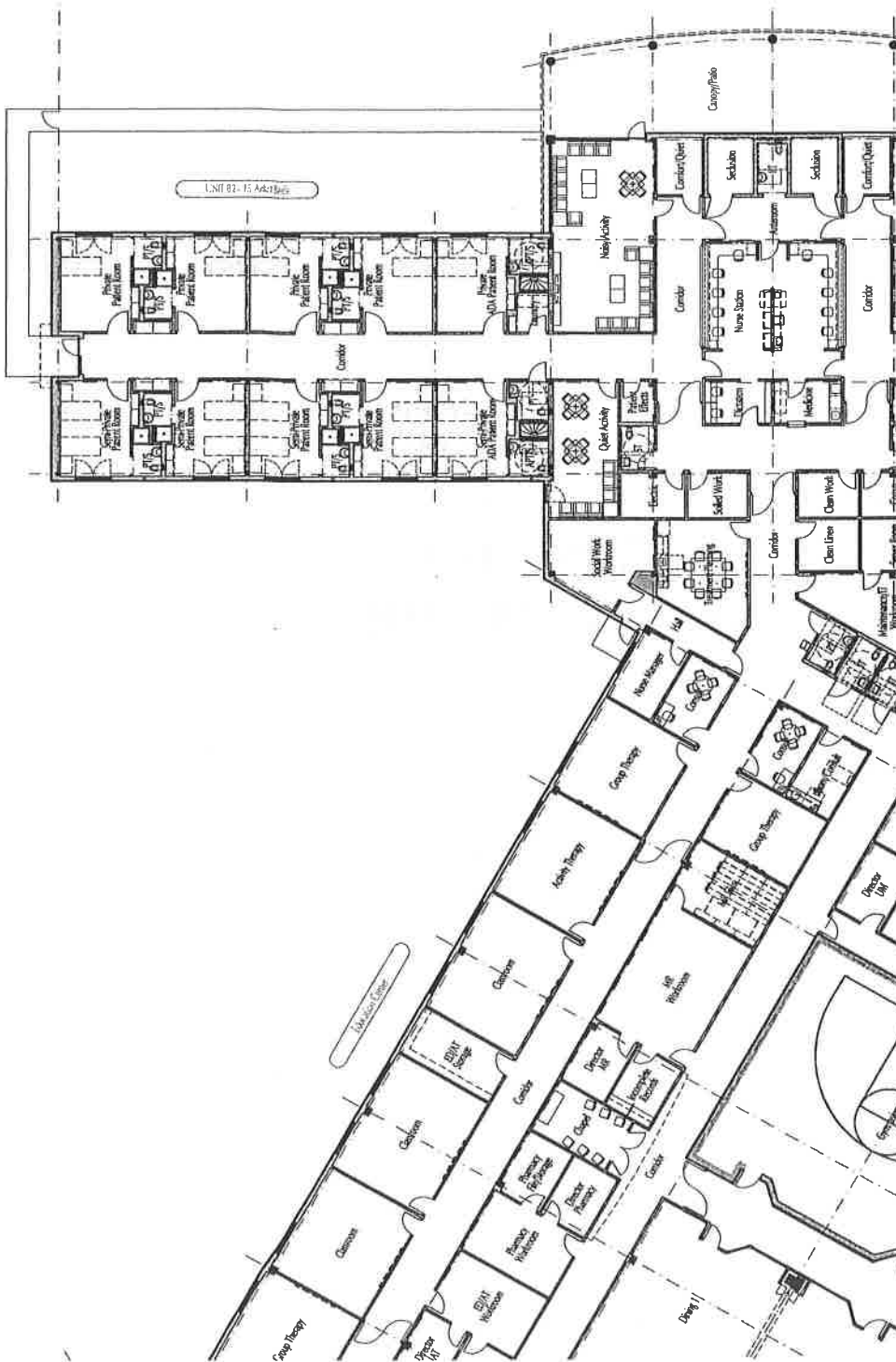


GRAPHIC SCALE			
0'	10'	20'	40'



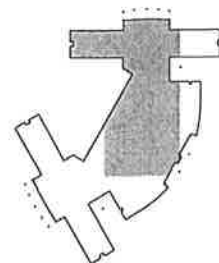
CONCEPTUAL PARTIAL FLOOR PLAN	
MEMPHIS REGIONAL HOSPITAL	
CLAYTON, TENNESSEE	
<b>CO01-03D</b>	
11 JUNE 2013	





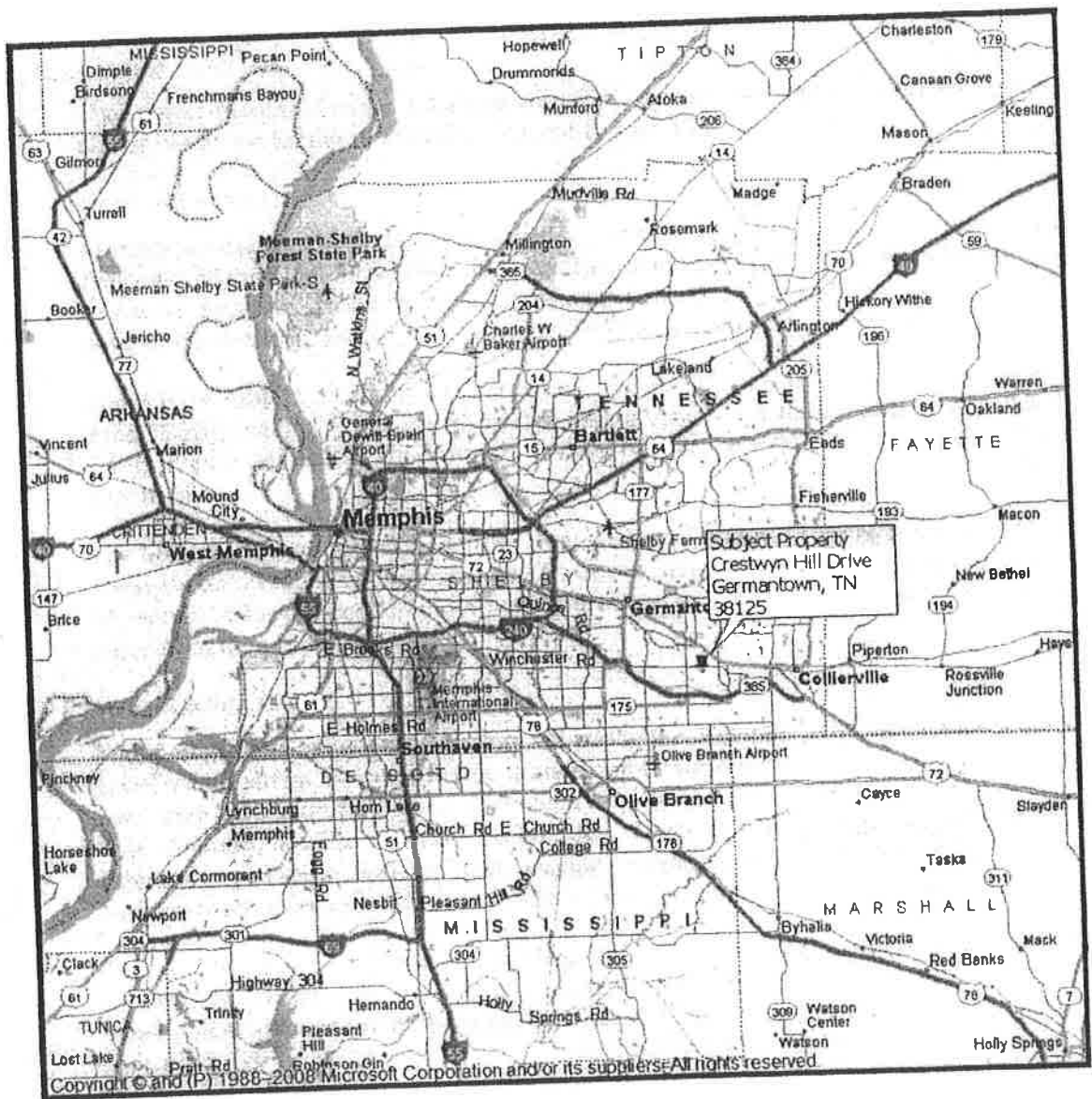
GRAPHIC SCALE				
0	10'	20'	40'	

CONCEPTUAL INITIAL FLOOR PLAN	
NEW INPATIENT PSYCHIATRIC HOSPITAL	
COLUMBIA HEALTH GROUP, LLC	
MEMPHIS, TENNESSEE	
<b>CO01-03E</b>	
11 JUNE 2013	



00715'13 PM3:27

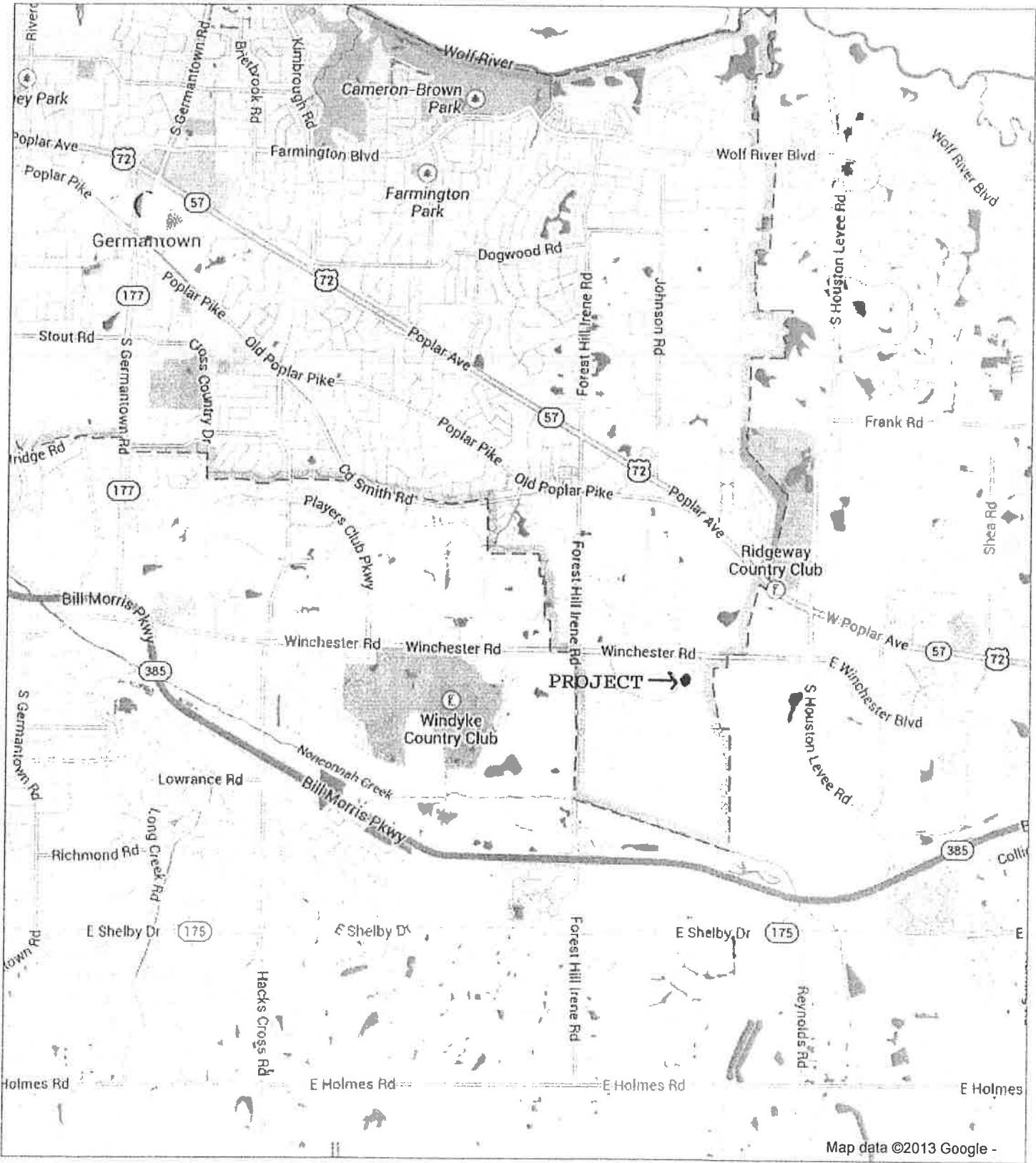
**C, Need--3**  
**Service Area Maps**







To see all the details that are visible on the screen, use the "Print" link next to the map.

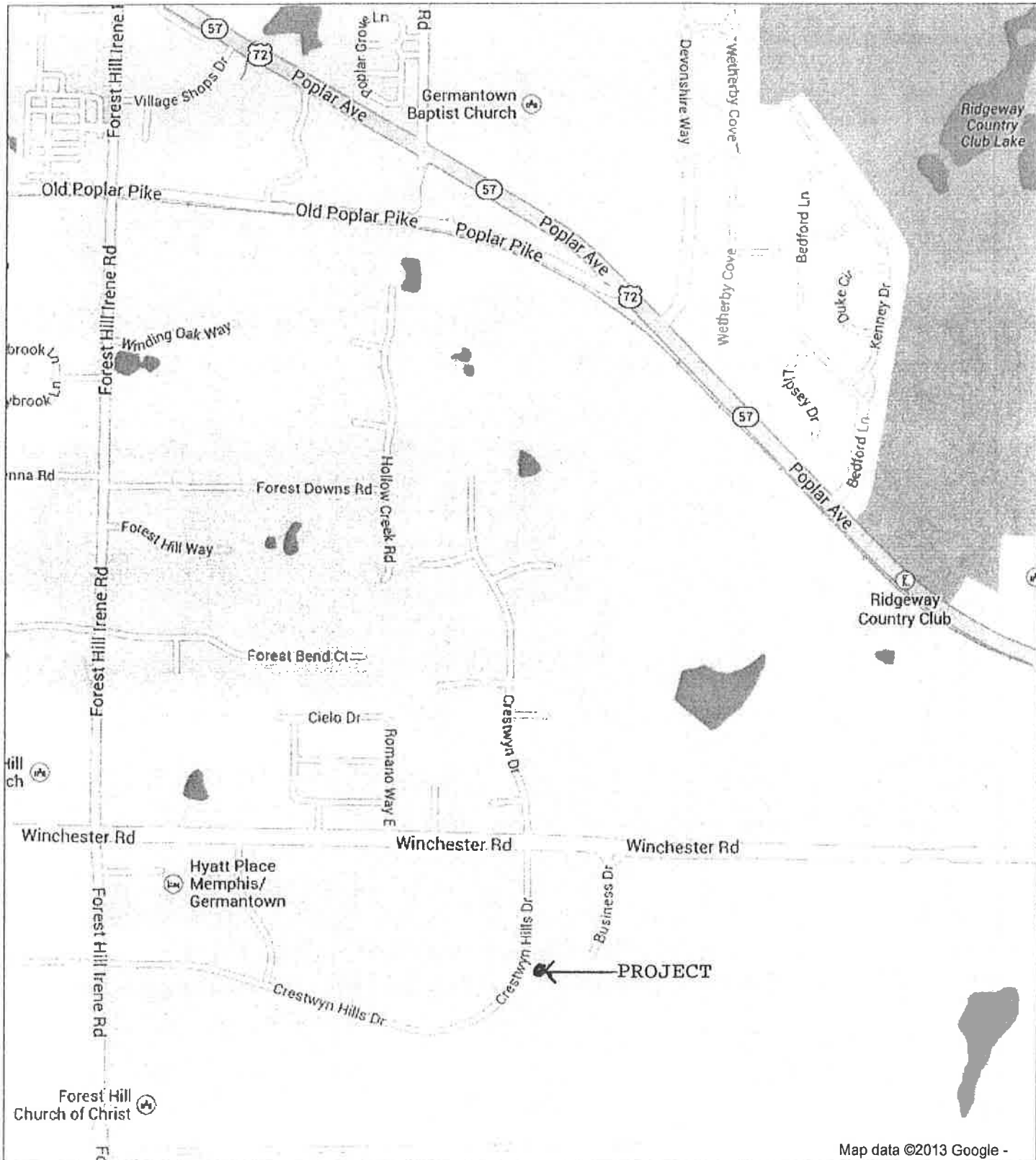




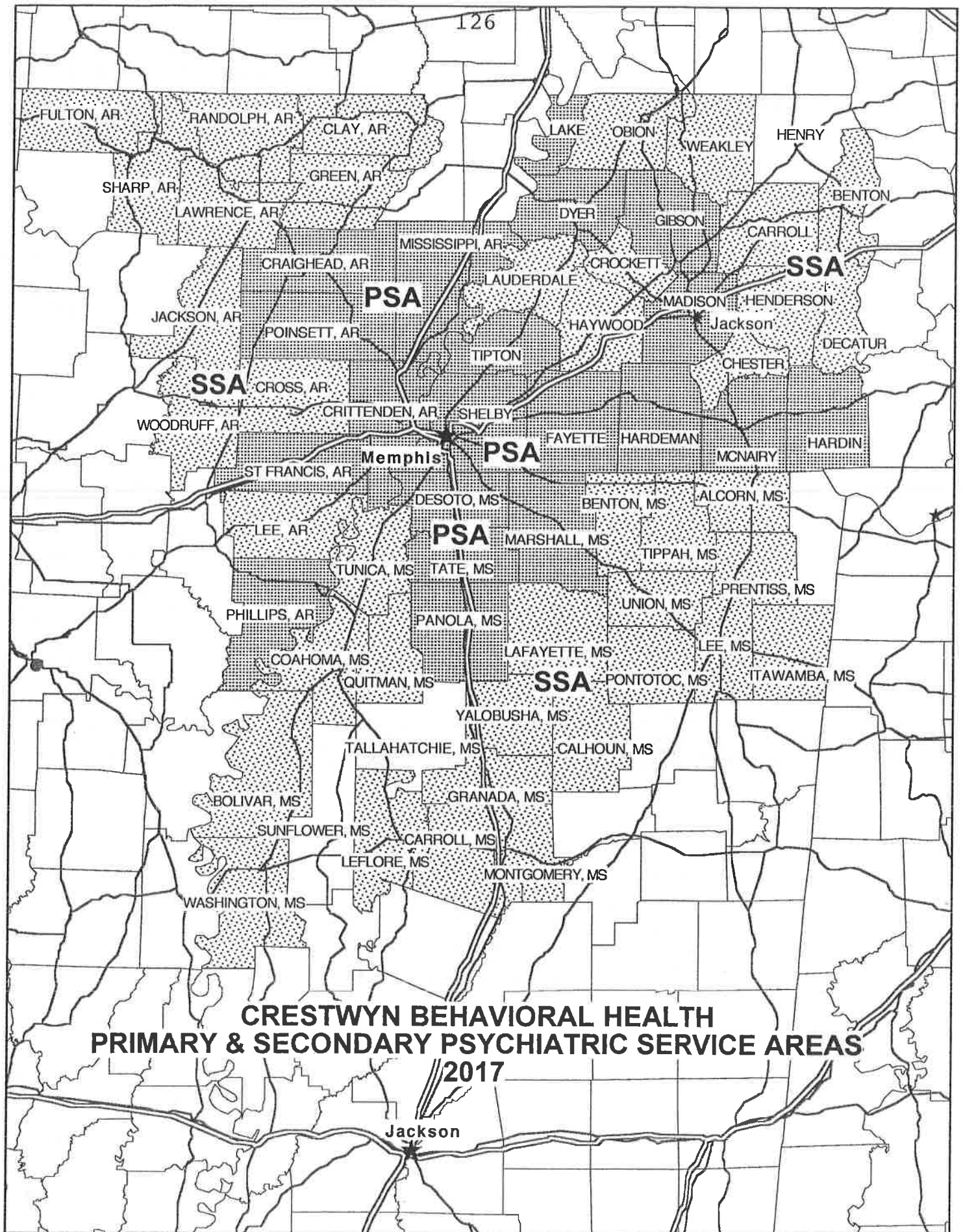
125

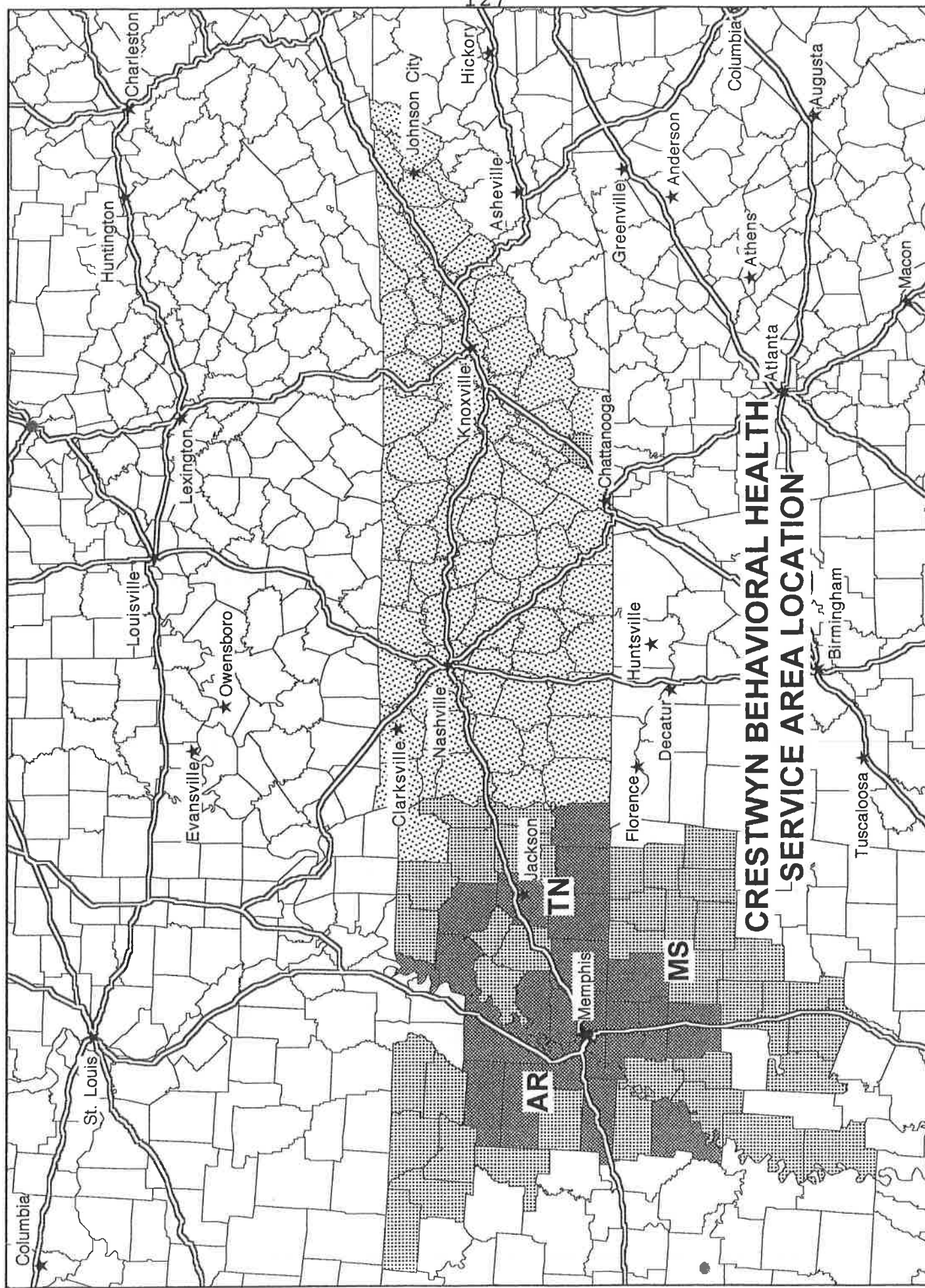
Google

To see all the details that are visible on the screen, use the "Print" link next to the map.



Map data ©2013 Google -





**CRESTWYN BEHAVIORAL HEALTH  
SERVICE AREA LOCATION**

**C, Economic Feasibility--1**  
**Documentation of Construction Cost Estimate**

**Melanie M. Hill**  
**Executive Director**  
**Tennessee Health Services and Development Agency**  
500 Deaderick Street, 9<sup>th</sup> Floor  
Nashville, TN 37243

**RE: New Inpatient Psychiatric Hospital**  
**Crestwyn Health Group, LLC**  
**Memphis, Tennessee**

02 October 2013

Ms. Hill,

Per our recent conversation with John Wellborn, an attorney working with Crestwyn Health Group, LLC on a Certificate of Need submission, we have prepared the following supporting documentation for your review.

I have reviewed the construction cost estimate provided by Crestwyn Health Group, LLC in the CON Submission. Based on my experience and knowledge of the current healthcare market, it is my opinion that the projected cost of \$14,262,500 appears to be reasonable for a project of this type and size.

Additionally, please note that the Project will be designed in compliance with all applicable State and Federal Codes and Regulations, including the following:

- Guidelines for the Design and Construction of Health Care Facilities
- Rules of the Tennessee Department of Health Board for Licensing Health Care Facilities
- International Building Code
- National electrical Code
- National Fire Protection Association (NFPA)
- Americans with Disabilities Act (ADA)

If you have any questions or comments regarding this information, please do not hesitate to contact our office at your convenience.

Thank you.



Bradford P. Stengel, AIA  
Architect  
Tennessee Professional Architect License #00102523

**C, Economic Feasibility--2**  
**Documentation of Availability of Funding**



**SUPPLEMENTAL- # 1**  
**OCTOBER 30**  
**11:45am**

Direct Phone: 615-861-7307  
Email: [david.duckworth@acadiahealthcare.com](mailto:david.duckworth@acadiahealthcare.com)

October 25, 2013

Melanie Hill, Executive Director  
Tennessee Health Services and Development Agency  
Frost Building, Third Floor  
161 Rosa Parks Boulevard  
Nashville, Tennessee 37203

**RE:    Financing Commitment**  
**Crestwyn Behavioral Health, Shelby County**

Dear Mrs. Hill:

Crestwyn Health Group, LLC, whose ultimate parent company is Acadia Healthcare Company, Inc., is applying for a Certificate of Need to establish Crestwyn Behavioral Health, a new psychiatric and substance abuse hospital in the Germantown area of Shelby County.

This letter is to confirm that Acadia Healthcare will provide the approximately \$25,200,000 in funding required to implement that project. Acadia intends to finance the transaction with cash on hand and borrowings from its existing revolving credit facility. Acadia's most recent audited financial statements are provided in the application.

Sincerely,

A handwritten signature in dark ink, appearing to read "David Duckworth".

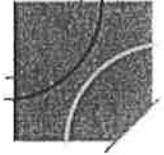
David Duckworth  
CFO

## **Miscellaneous Information**



August 28, 2013

William Patterson  
Delta Medical Center  
3000 Getwell Road  
Memphis, TN 38118



Re: Acadia - Delta Medical Center - Additions and Renovations (13570.00) -  
CON Justification Study (05)  
Subject: Feasibility of Additional Beds on Getwell Road Campus

Dear William,

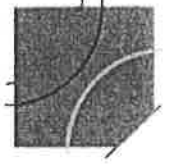
We understand that Acadia Healthcare is contemplating the development of additional behavioral health beds to address patient needs in the market. In order to evaluate this potential further, we were asked to explore the potential for added behavioral services at Delta Medical Center on 3000 Getwell Road in Memphis, Tennessee. The potential for growth was explored through three options:

- Option 1 - Expand within vacant or under-utilized support space
- Option 2 - Expand within an existing medical or surgical unit / floor
- Option 3 - Expand on the property with an addition

Each of these options was explored in detail and a summary of our findings is provided below:

- Option 1 - Expand within vacant or under-utilized support space
  1. See enclosed preliminary design labeled Exist 1, EX-1A, Exist 2, and EX-1B.
  2. We explored the ability to add at least 30 beds to the existing 89 bed compliment.
  3. The existing unit design was predicated on regulations that are now outdated.
  4. "Touching" the existing unit and adding bed capacity will require Acadia to ensure Tennessee Department of Health (TDH) compliance throughout the four existing Units. TDH utilizes the FGI 2010 Guidelines For Design and Construction of Health Care Facilities to review all new work.
  5. Activity spaces, consultation spaces, seclusion treatment spaces are currently under the required per bed ratios governed by the FGI.
  6. The existing space is not a shape that is complimentary to renovation of a psychiatric unit.
  7. The existing space was constructed in 1971 therefore all the infrastructure systems are outdated, not easily expandable, and would need to comply with current regulations. For example, HVAC exhaust is inadequate and HVAC does not meet filtration requirements.
  8. In the end the expansion only yielded 9 beds with 37,082 SF of renovation, resulting in approximately \$6.5 million of cost.

August 28, 2013  
Feasibility of Additional Beds on Getwell Road Campus  
Page 2

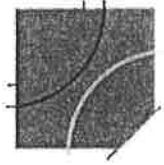


- Option 2 - Expand within an existing medical or surgical unit / floor
  1. See enclosed preliminary design study labeled Exist 3 and EX-2.
  2. If 30 beds were to be added in the renovation, because each floor of the existing 1982 bed tower houses private rooms, an entire floor would be need to accommodate a new behavioral unit.
  3. The entire unit would need to be retrofitted with patient safety upgrades such as anti - ligature toilets, showers, door hardware, etc. In addition all of the FGI required spaces would need to be renovated into the support space areas.
  4. If a floor is utilized for the added beds this would reduce the med-surg bed compliment to 87 beds and therefore remove the hospital's capability of receiving their current DSH funding. The hospital's DSH reimbursement is based on keeping 100 medical-surgical beds operational.
- Option 3 - Expand on the property with an Addition
  1. See enclosed preliminary design study labeled EX-3
  2. Although there is room on the property for an expansion in the form of a new unit, the placement of the new unit on the site creates operational inefficiencies.
  3. The only location viable for an expansion on the property would be the East side in the vacant area.
  4. No practical connection could be made to the existing admitting / intake area because the connection between expansion and the existing units would be blocked by a critical service drive.
  5. This service drive is the primary delivery route for all the hospital supplies.
  6. The only connection that could be made would be a bridge corridor, the cost of which would make the bed addition not viable.

After evaluating the options for growth on the Getwell Road Campus, the team determined that none of these options presented a good solution for future development and service to the area.

Sincerely,

August 28, 2013  
Feasibility of Additional Beds on Getwell Road Campus  
Page 3



David J. Brown Architect AIA

List of Enclosures:

1. Con Exhibits - 8-29-2013.pdf

cc:

John Wellborn - DSG  
Scott Schwieger - AH

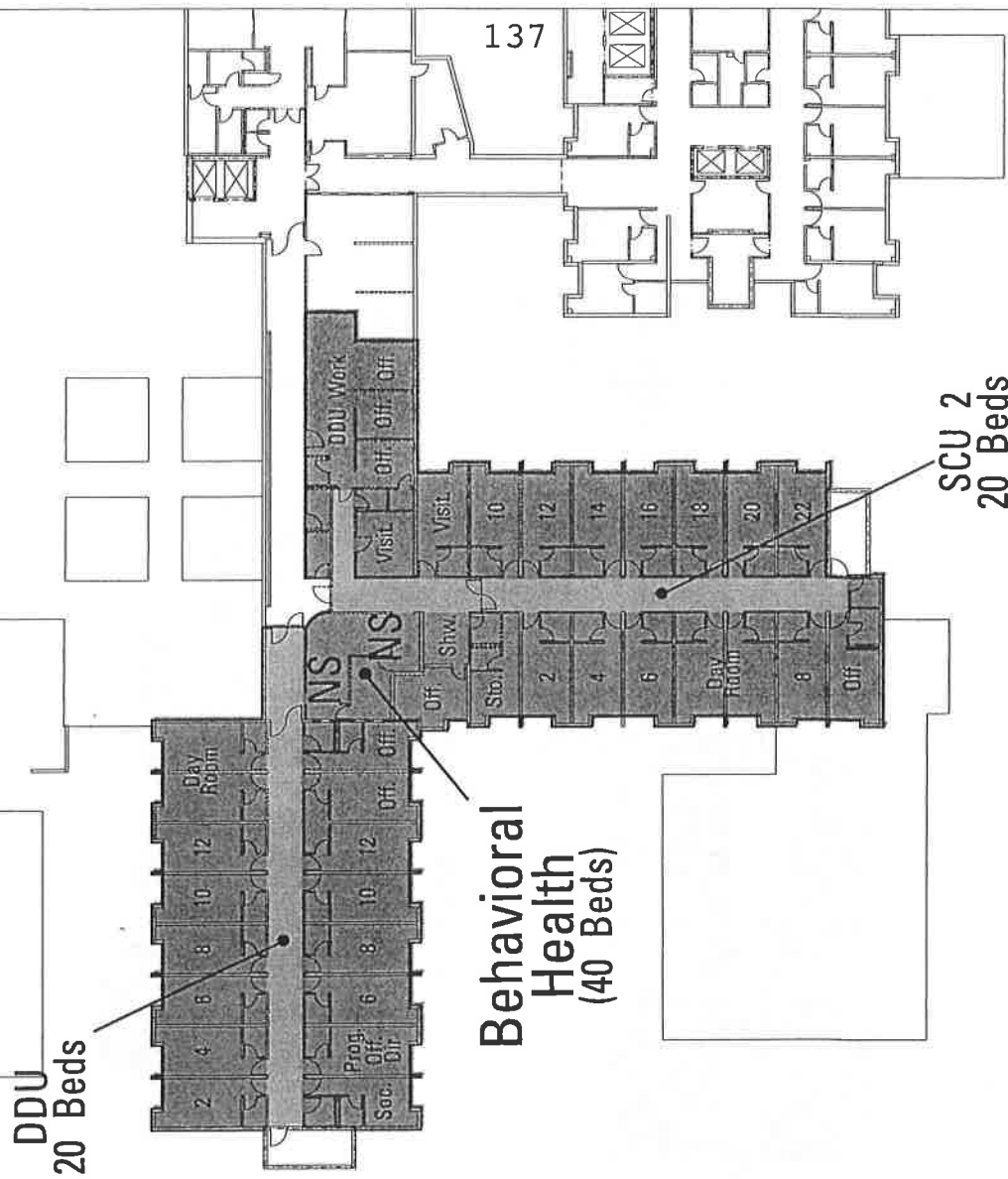
**Not to Scale**



# EXIST1

# Existing Conditions - Second Floor Plan

Not to Scale



**Behavioral Health**  
(40 Beds)

Second Floor Existing Behavioral Health Unit has 40 beds.



JJCA Johnson Johnson  
Crabtree Architects P.C.

1155 Nashville Drive  
Memphis, TN 38104

TEL 901.527.2200  
FAX 901.527.2001

**ACADIA**  
HEALTHCARE

**Delta Medical Center**  
Memphis, Tennessee

PROJECT NUMBER  
13570.00  
DATE  
August 2013

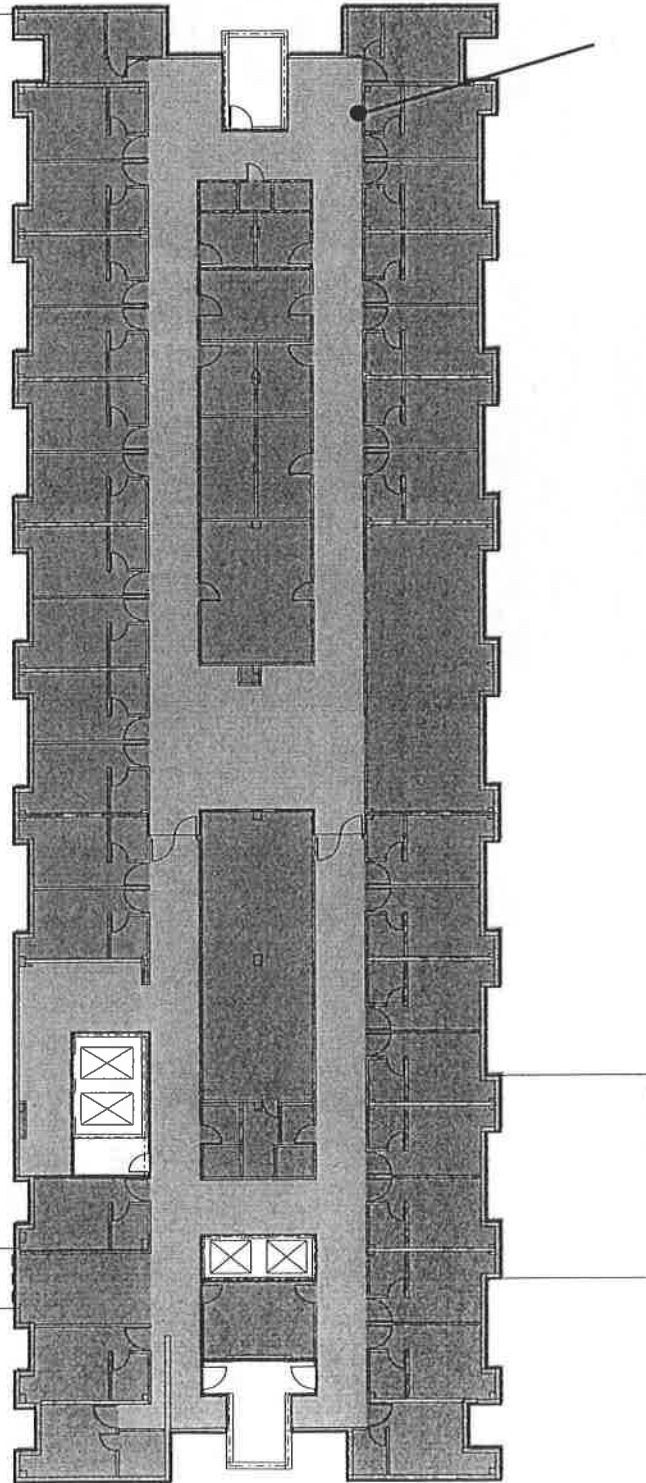
**EXIST2**  
Second Floor Plan  
Existing Conditions

Not to Scale

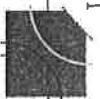


# Existing Conditions - Third Floor Plan

Not to Scale



Medical/Surgical  
117 Beds (on 3 Floors)



JICA Johnson Johnson  
Culture Architects P.C.  
400 Franklin Road  
North, TN 37204  
Tel: 615.877.2000  
Fax: 615.877.8000

ACADIA  
HEALTHCARE

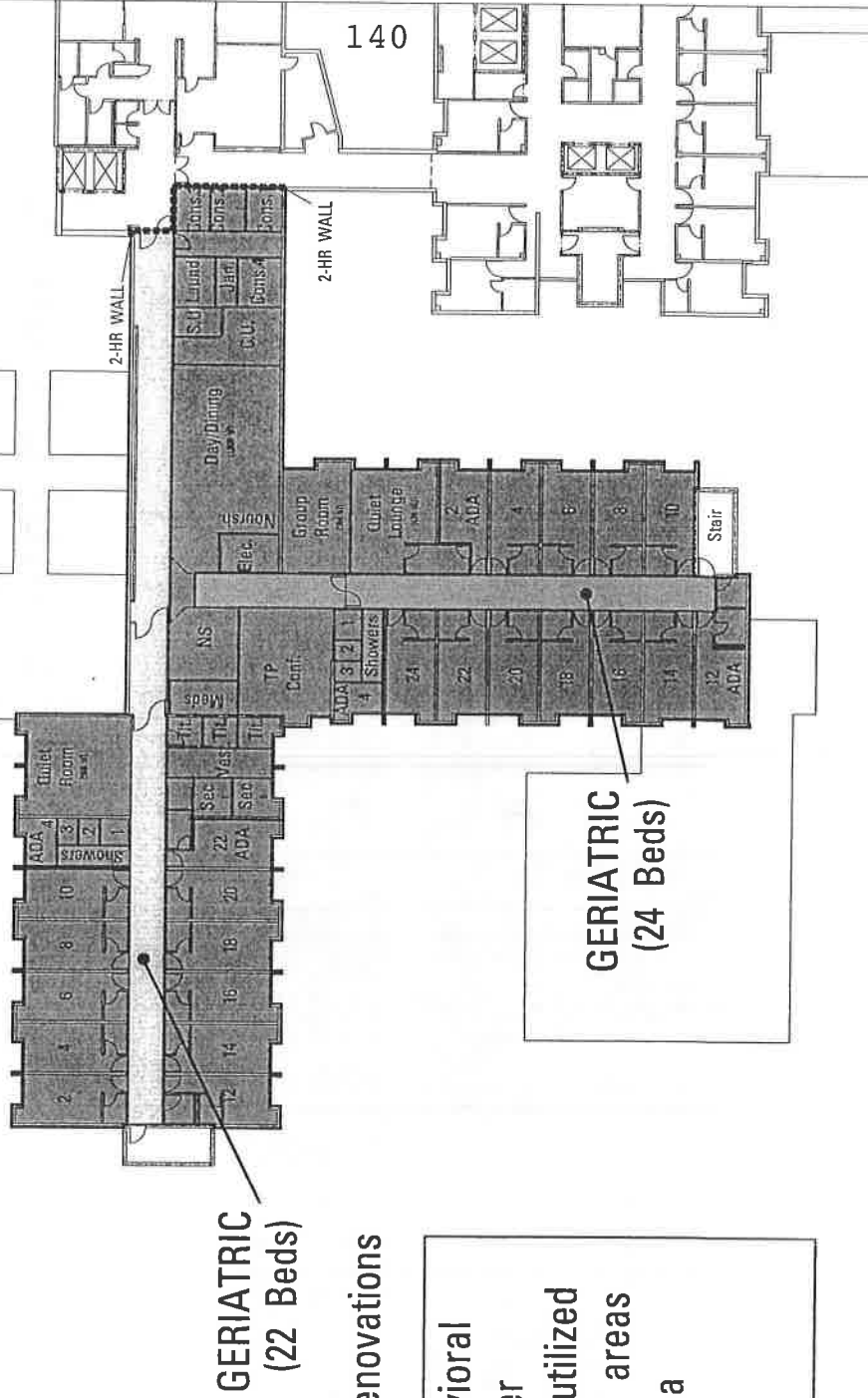
Delta Medical Center  
Memphis, Tennessee

PROJECT NUMBER  
13570.00  
DATE  
August 2013

EXIST'3  
Third Floor Plan  
Existing Conditions

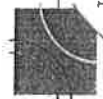
# Proposed Renovations - Second Floor Plan

Not to Scale



Areas of Proposed Renovations

Existing Second Floor Behavioral Health Unit has 40 beds. After renovating vacant or under-utilized support space in the shaded areas (15,331 SF) yields a unit with a maximum of 46 beds, only 6 additional beds.



JJCA Johnson Johnson  
Crabtree Architects P.C.  
400 Tennessee Drive  
Nashville, TN 37204  
Tel: 615.337.2500  
Fax: 615.337.8007

ACADIA  
HEALTHCARE

Delta Medical Center  
Memphis, Tennessee

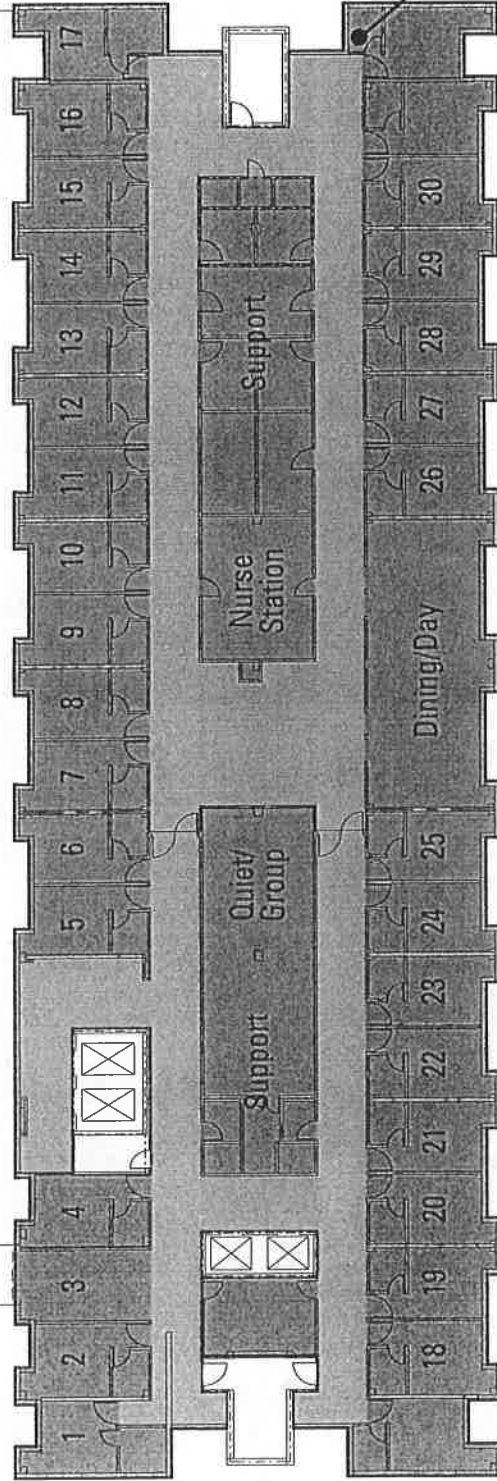
PROJECT NUMBER  
13570.00  
DATE  
August 2013

EX-1B  
Second Floor Plan  
Exhibit 1B



# Proposed Renovation - Third Floor Plan

Not to Scale



MHU or DDU  
30 Beds

Areas of Proposed Renovations

Renovating 30 patient room beds for a Behavioral Health Unit would leave the hospital with only 87 patient beds. This would fall below the 100 beds required by the DSH program.

Proposed Addition - Site Plan

Not to Scale

Proposed  
48 Bed  
Behavioral Health  
Addition  
1 STORY

SERVICE DRIVE

Existing Hospital  
4 STORIES

Memphis  
Diet Clinic

Kenosha Rd

JJCA

Johnson Johnson  
Crabtree Architects P.C.  
4001 Tennessee Drive  
Memphis, TN 38124  
Tel: 901.527.9000  
Fax: 901.527.9001

ACADIA  
HEALTH CARE

Delta Medical Center  
Memphis, Tennessee

PROJECT NUMBER  
13570.00  
DATE  
August 2013

EX-3  
Site Plan  
Exhibit 3

## **SUPPORT LETTERS**



STATE OF TENNESSEE  
DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES  
MEMPHIS MENTAL HEALTH INSTITUTE  
951 Court Avenue  
MEMPHIS, TENNESSEE 38103-2813  
Telephone (901) 577-1800 • Fax (901) 577-1434

10/3/2013

Melanie Hill  
Executive Director  
Tennessee Health Services & Development Agency  
Frost Building, 3rd Floor  
161 Rosa Park Blvd.  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health**

Dear Ms. Hill:

On behalf of the physicians and staff of Memphis Mental Health Institute ("MMHI"), I want to express our strong support for the certificate of need application referenced above.

MMHI is one of four state-owned and operated acute psychiatric hospitals in Tennessee and serves the Memphis and Shelby County community. Patients treated at MMHI are adults who often have chronic mental illnesses and virtually all of them are referred to MMHI on an involuntary basis because they are at risk of harm to themselves or others. Other MMHI patients are referred from the court for a pre-trial evaluation. MMHI provides individualized treatment planning for all of these patients and psychosocial rehabilitation designed to assist them in acquiring new skills for recovery and a better transition back into the community.

MMHI's mission is to provide in-patient adult psychiatric care primarily for individuals without insurance and without any other means of accessing needed services. We are pleased to support our community partners, such as Delta Medical Center and Crestwyn Behavioral Health and rely on them as a resource to serve individuals with insurance. MMHI is licensed to operate 111 beds, but the current staffed/operating capacity is 55. The addition of the Crestwyn Behavioral Health project to our service area will enhance and fulfill a need for high quality in-patient options in the Memphis-Shelby County community especially related to children and youth since there are high demands for those services.

MMHI, therefore, is pleased to give its full support to Crestwyn's certificate of need application, and I hope you will give it your favorable consideration. Please do not hesitate to contact me with any questions.

Sincerely,

Lisa A. Daniel  
Chief Executive Officer



STATE OF TENNESSEE  
DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES  
WESTERN MENTAL HEALTH INSTITUTE  
11100 OLD HIGHWAY 64 WEST

ROGER P. PURSLEY  
CHIEF EXECUTIVE OFFICER

BOLIVAR, TN 38008  
(731)-228-2000

RONALD BRUCE  
ADMINISTRATOR

October 11, 2013

Melanie Hill, Executive Director  
Tennessee Health Services & Development Agency  
Frost Building, 3rd Floor  
161 Rosa Park Blvd.  
Nashville, TN 37243

RE: Crestwyn Behavioral Health

Dear Ms. Hill:

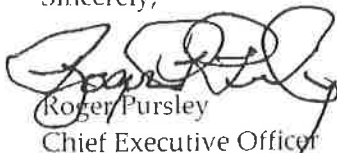
On behalf of the physicians and staff of Western Mental Health Institute ("WMHI"), I want to express our strong support for the certificate of need application referenced above.

WMHI is one of four state-owned and operated acute psychiatric hospitals in Tennessee. Located in Bolivar, WMHI serves adult patients in a 24-county area that includes the following counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Gibson, Fayette, Hardeman, Hardin, Haywood, Henderson, Henry, Lake, Lauderdale, Lawrence, Lewis, Madison, McNairy, Obion, Perry, Tipton Wayne and Weakley. As is true at the state's other mental health institutes, most of the patients referred to WMHI have acute mental illnesses or substance abuse problems that put them at risk for causing harm to themselves or others, and admissions mainly occur on an emergency involuntary basis. For many of the communities in WMHI's large service area, we offer the only in-patient psychiatric treatment option available.

The addition of the Crestwyn Behavioral Health project is much needed in our area of the state. Indeed, the demand for high-quality mental health services always exceeds the supply. The Crestwyn Behavioral Health project will improve access to high-quality mental health treatment options. And, working in close collaboration with its corporate affiliate – Delta Medical Center – the project will make it possible to treat patients who require medical or surgical care, as well. This sort of collaboration should be encouraged, and it contributes to the orderly development of healthcare in West Tennessee.

For all of these reasons, WMHI is proud to lend its enthusiastic support to the Crestwyn Behavioral Health project. Please do not hesitate to let me know if there is anything more that we can do in support of this innovative initiative.

Sincerely,



Roger Pursley  
Chief Executive Officer

RPP/ccm

October 8, 2013



Alliance Healthcare Services

Melanie Hill, Executive Director  
Tennessee Health Services & Development Agency  
Frost Building, 3<sup>rd</sup> Floor  
161 Rosa Park Boulevard  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health  
Certificate of Need Application No. CN1312-XXX**

Dear Ms. Hill:

On behalf of Alliance Healthcare Services (AHS) dba SEMHC & CCN, please allow me to add our strong support for Crestwyn Behavioral Health's pending application for a certificate of need. This exciting and much needed project will benefit Memphis and the surrounding area greatly, and it deserves approval by your agency. Please give it every possible consideration.

AHS is a nonprofit organization that has served Shelby County for 35 years. We are the only county-wide mental health facility in West Tennessee, and we offer a full range of residential and outpatient services, including psychiatric services, alcohol and drug treatment services and family counseling services. Using our staff of psychiatrists, physicians, nurses, social workers, and other licensed professionals, Alliance Healthcare Services strives to meet the varied needs of our diverse community. Indeed, in addition to being one of the largest Medicare and TennCare providers in the region, AHS is the largest provider of mental healthcare services for children in Memphis.

The need for additional mental health resources is acute. In fact, in September 2013, the World Health Organization released data showing that only 50% of persons with mental health disorders receive any form of professional treatment and even fewer – only 10% - receive adequate care. This massive unmet need for treatment – the treatment gap – is the result of a combination of the stigma of mental health and mental health services, lack of accessibility and, when services are available, poor quality. Many people are reluctant to go for help owing to the fear associated with mental disorders and a lack of trust in the quality and effectiveness of treatment and care offered by mental health services. The impressive project being proposed by Crestwyn Behavioral Health will help to close this treatment gap by making high-quality residential mental health services more widely available in our community.

Again, we enthusiastically endorse Crestwyn Behavioral Health's application for a certificate of need. Please feel free to contact me with any questions or comments.

Sincerely,

Gene Lawrence  
Chief Executive Officer

2150 Whitney Avenue  
Memphis, TN 38127  
901.353.5440

2100 Whitney Avenue  
Memphis, TN 38127  
901.353.5440

2579 Douglas Avenue  
Memphis, TN 38114  
901.369.1480

3628 Summer Avenue  
Memphis, TN 38112  
901.369.1480

4088 Summer  
Memphis, TN 38122  
901.369.1480



**PROFESSIONAL CARE SERVICES**  
of West TN, Inc.  
1997 Hwy. 51 S., Covington, TN 38019  
(901) 476-8967

October 4, 2013

Melanie Hill  
Executive Director  
Tennessee Health Services & Development Agency  
Frost Building, 3rd Floor  
161 Rosa Park Blvd.  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health  
Certificate of Need Application No. CN1312-XXX**

Dear Ms. Hill:

On behalf of Professional Care Services ("PCS"), please allow me to add our strong support for Crestwyn Behavioral Health's pending application for a certificate of need. This exciting and much needed project will benefit Memphis and the surrounding area greatly, and it deserves approval by your agency. Please give it every possible consideration.

PCS is a nonprofit organization that has served the west Tennessee region for 33 years. We offer a full range of group home and out-patient services, including psychiatric services, alcohol and drug treatment services and family counseling services. We are one of the major crisis referral agencies in the state. Using our staff of psychiatrists, physicians, nurses, social workers, and counselors, PCS strives to meet the varied needs of our diverse community. Indeed, in addition to being one of the largest Medicare and TennCare providers in the region, PCS is a significant provider of mental healthcare services for children in west Tennessee.

The need for additional mental health resources is acute. In fact, in September 2013, the World Health Organization released data showing that only 50% of persons with mental health disorders receive any form of professional treatment and even fewer – only 10% – receive adequate care. This massive unmet need for treatment – the treatment gap – is the result of a combination of the stigma of mental health and mental health services, lack of accessibility and, when services are available, poor quality. Many people are reluctant to go for help owing to the fear associated with mental disorders and a lack of trust in the quality and effectiveness of treatment and care offered by mental health services. The impressive project being proposed by Crestwyn Behavioral Health will help to close this treatment gap by making high-quality residential mental health services more widely available in our community.

Again, we enthusiastically endorse Crestwyn Behavioral Health's application for a certificate of need. Please feel free to contact me with any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Becky Hendrix". The signature is written in a cursive, flowing style.

Becky Hendrix  
Executive Director

12403700.1



# QUINCO

Mental Health Centers  
*Real Help. Real Close.*

October 3, 2013

Melanie Hill  
Executive Director  
Tennessee Health Services & Development Agency  
Frost Building, 3rd Floor  
161 Rosa Park Blvd.  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health  
Certificate of Need Application No. CN1312-XXX**

Dear Ms. Hill:

On behalf of QUINCO Mental Health Center (QMHC), please allow me to add our strong support for Crestwyn Behavioral Health's pending application for a certificate of need. This exciting and much needed project will benefit Memphis and the surrounding area greatly, and it deserves strong consideration for approval by your agency. I trust and depend that you and others in your department will give careful, intuitive thought regarding the far reaching importance of this worthy project.

QUINCO is a nonprofit organization that has served the west Tennessee region for almost forty (40) years. We offer a full range of group home and out-patient services, including psychiatric services, alcohol and drug treatment services, group home services, and family counseling services. We are one of the major crisis referral agencies in the state. Using our staff of psychiatrists, psychologists, physicians, advance nurse practitioners, social workers, and Licensed Professional Counselors, QMHC personnel strive to meet the varied needs of our diverse community. Indeed, in addition to being one of the largest Medicare and TennCare providers in the region, QMHC is a significant provider of mental healthcare services for the children and adolescent population in west Tennessee.

The need for additional mental health resources is acute. In fact, in September 2013, the World Health Organization released data showing that only 50% of persons with mental health disorders receive any form of professional treatment.

This massive unmet need for treatment – the treatment gap – is the result of a combination of the stigma associated with mental health care, lack of accessibility, insufficient availability of integrative care, insufficient coverage for substance abuse/dependence treatment opportunities, and a shortage of Medicare qualified providers.

Many people are reluctant to seek help because of fear and misunderstanding about the treatment of mental disorders. These tendencies coupled with the lack of treatment providers and quality inpatient facilities leave a significant number of citizens in mental distress.

The impressive and forward thinking project proposed by Crestwyn Behavioral Health will help to close this treatment gap by making high-quality residential mental health services more widely available in our community.

Again, I enthusiastically endorse Crestwyn Behavioral Health's application for a certificate of need. Please feel free to contact me with any questions or comments.

Sincerely,

A handwritten signature in cursive script that reads "Darvis Gallaher". The signature is written in dark ink and is positioned above the printed name and title.

Darvis Gallaher, Ph.D.  
CEO/Executive Director  
Licensed Psychologist/HSP



AFFIDAVITSTATE OF TENNESSEECOUNTY OF DAVIDSON

JOHN WELLBORN, being first duly sworn, says that he/she is the lawful agent of the applicant named in this application, that this project will be completed in accordance with the application to the best of the agent's knowledge, that the agent has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete to the best of the agent's knowledge.

John Wellborn  
SIGNATURE/TITLE

Sworn to and subscribed before me this 15 day of OCTOBER, 2013 a Notary  
(Month) (Year)

Public in and for the County/State of DAVIDSON CO. TENNESSEE



[Signature]  
NOTARY PUBLIC

My commission expires 1-11, 2017.  
(Month/Day) (Year)

**COPY-**  
**SUPPLEMENTAL-1**

Crestwyn Behavioral Health

**CN1310-040**

October 29, 2013

Phillip M. Earhart, Health Planner III  
Tennessee Health Services and Development Agency  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37203

RE: CON Application CN 1310-040  
Crestwyn Behavioral Health

Dear Mr. Earhart:

This letter responds to your recent request for additional information on this application. The items below are numbered to correspond to your questions. They are provided in triplicate, with affidavit.

**1. Section A, Applicant Profile, Item 1.**

**Your response is noted. Please review and check the city and zip code. Please provide a corrected page.**

Attached following this page is a revised page 1R of Part A correcting the city name and zip code.

**2. Section A, Applicant Profile Item 5**

**The applicant notes there will not be a management/operating entity. Please clarify the reason management fees are designated on the Projected Data Chart.**

The Projected Data Chart lists management fees paid to an affiliate--which in this case is the applicant's parent company, which will always own majority interest in the applicant LLC.

Those expenses are revenues transferred to the parent company for the parent's centralized consulting and support to the hospital. Support is given in such areas as accounting, finance, human resources, information systems, internal audit, legal services, operations, regulatory compliance, healthcare quality improvement processes, reimbursement, risk management, and insurance. Such transfers are accounting events typical in any company that owns and operates a number of facilities. They are not fees due from a separate contractual relationship between the LLC and the parent company. So they do not indicate a separate (non-affiliate) management entity within the meaning of HSDA rules or the Projected Data Chart.

Page Two  
October 29, 2013

**3. Section A, Applicant Profile Item 6**

**Please check the legal interest in the site of the institution and submit a replacement page.**

Attached following this page is a revised page 2R of Part A, providing that information.

**4. Section B. I. Project Description**

**(a) Please specify the age range of patients who will be admitted to each of the four (4) proposed units.**

The anticipated age ranges are as follows. On occasion, the geropsychiatric unit could admit an adult between 55 and 65 years of age, but it would not be typical.

Adolescent Psychiatric Program:	13-17 years of age
Adult Psychiatric Program:	18-64 years of age
Geropsychiatric Program:	65+ years of age
Chemical Dependency:	18+ years of age

**(b) When does the applicant expect to disclose the name of the Shelby County hospital that may become part of the proposed project?**

The timing of disclosure will be a decision of that hospital. The applicant anticipates that the decision will be made and communicated to HSDA staff prior to the HSDA Board's review of the Crestwyn application.

**(c) In attachment A.4 "The Village" is listed as owned by the applicant. Please provide a brief overview of the facility, services, and population served.**

Village Behavioral Health is a residential treatment facility for adolescents, on a 65-acre campus near Knoxville. It serves children ages 13-17. Its programs include residential care for behavioral health and alcohol and drug treatment. Please see the materials attached after this page, for additional information.

**(d) Please clarify if children in state custody will be admitted to the adolescent unit.**

Yes.

**(e) Please clarify if all four (4) units will accept involuntary admissions.**

Yes.

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**Questions?**

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Directions (click on map):

## About Us

Village Behavioral Health is a fully licensed psychiatric residential treatment center and alcohol and drug treatment center for teenagers (ages 13-17). We treat children who suffer from:

- Mood Disorders such as Depression, Bipolar, and Anxiety
- Chemical Dependence and/or abuse of Alcohol and Drugs.
- Trauma from Physical, Emotional, or Sexual Abuse
- Personality Disorders
- Behavioral Disorders and other Behavioral Problems
- Difficulty in School Environment

Village Behavioral Health's staff is made up of caring professionals from a variety of specialties:

- Adolescent Psychiatrist
- Licensed Social Workers
- Masters Level Therapists
- Registered Nurses
- Licensed School Teachers
- Behavioral Health Technicians

Each of our behavioral health clinical professionals ensure each patient receives care that is professional and personal to his or her specific emotional and behavioral needs. Our goal for each child is to help them understand how they got here, what poor choices they have made in the past, how their emotions have affected their poor decision making, and overall how to make better choices to become a more responsible teenager and eventually an adult. We do this through creating individualized behavioral treatment plans to fit to the specific dynamics of each child.

All behavioral treatment programs are based on a cognitive behavioral model of treatment within the framework of a pro-social philosophy capitalizing on resident's strengths to allow the resident to develop more adaptive coping mechanisms in a safe setting. Residential treatment success at Village Behavioral Health is greatly enhanced by close family involvement. Family therapy occurs on a weekly basis. With many of our patients coming from geographically distant parts of the country, telephone therapy sessions are available when face-to-face family therapy is not possible for every session. The goal of the program is to demonstrate for adolescents a respect for authority and to provide adolescents with a sense of self as part of a group or larger community, self-restraint, tolerance for tensions and



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frustration, and independence in relation to others.

## The Village Academy

On-site we have a fully accredited college preparatory private school, The Village Academy, with a full staff of teachers providing both general and special education services. Education is individualized allowing students to remedy academic deficits. At The Village Academy, each child is evaluated and placed on an individual course of study. The Village Academy staff work with the child's previous school to achieve an optimal education experience. While at The Village each child can earn academic credits toward their high school diploma. The Village Academy can create positive academic experience for students who previously have known frustration and failure.

The Village is located on 65 acres of land, secluded on a peninsula of the Tennessee River. Our setting provides a significant therapeutic environment for the adolescents in a wilderness setting. The Village has a full ropes course and swimming pool and operates a vocational program and activity therapy department.



### Accreditation/Affiliations:



### Refer a Child:

#### Admissions:

(800) 255-TEEN  
[village@acadiahealthcare.com](mailto:village@acadiahealthcare.com)  
 2431 Jones Bend Road  
 Louisville, TN 37777

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Directions (click on map):

<http://www.villagebh.com/about-us/accreditation/>

## Accreditation/Affiliations:

### The Joint Commission




Village Behavioral Health is accredited through The Joint Commission. The Joint Commission's standards and emphasis on clinical practice guidelines help organizations establish a consistent approach to care, reducing the risk of error. Achieving this accreditation is a demonstration to those we serve, their families, and our community of Village Behavioral Health's ongoing commitment to safe, high quality care, and treatment. (click here to see certification.)

### SACS Accreditation



The Village Academy is an accredited member of the Southern Association of Colleges and Schools (SACS). This accreditation gives final assurance that any credit students earn at the Village Academy will be accepted at any high school or college. To maintain accreditation, the school must conduct a continuing program of educational improvements to satisfy standards of accreditation, improve student performance, submit annual reports that certify implementation of the school's improvement plan, and be re-evaluated by external teams of professional educators at five-year intervals. Founded in 1895, SACS is a voluntary, nongovernmental agency composed of more than 13,000 accredited colleges and universities, elementary, middle and secondary schools. It serves eleven Southern states, as well as

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## Mental Health Residential Treatment Program

**T**he goal of treatment at Village Behavioral Health is to achieve lasting change in an adolescent's behaviors. Village Behavioral Health promotes the development of self-restraint, respect for authority, a healthy sense of self as part of a group or community, tolerance for tension or frustration, independence, and an ability to relate to others.

All programs are based on a cognitive behavioral model of treatment within a framework of a pro-social philosophy. By capitalizing on the adolescents' strengths and exposing vulnerabilities that lay beneath their exterior we can assist them in developing adaptive coping mechanisms in a safe setting.

Village Behavioral Health ensures both around-the-clock supervision and an intense therapeutic experience. Adolescents begin by learning the rules of their new community and start to face and address the problems that brought them to Village Behavioral Health. Just as importantly, they begin to grasp that they are part of a group. These changes are key to treatment success in Village Behavioral Health's program. The outdoor program helps individual patients come to terms with their problems within the context of a positive supportive peer group. This stage helps build upon the sense of belonging to a group. Patients in each cabin work together, learn to rely on one another, and begin to understand how to relate to each other.

## Admission Criteria

Adolescents between the ages of 13-17 years old with an IQ of 70 or above with a primary mental

Directions (click on map):

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health and/or substance abuse diagnosis. Village Behavioral Health works with most private insurance plans as well as TennCare and North Carolina Medicaid. Village Behavioral Health will work with your insurance plan to maximize benefits that are available.

## Treatment Modalities

**Individual Counseling:** is employed for all clients. The approach is usually intensive, brief, problem specific, with short-term goals such as resolving a problem, making a decision, carrying out a procrastinated act, or reducing the effects of a symptom. The counseling may involve the client's counselor prior to admission and/or the client's counselor following discharge. This is encouraged to enhance continuity and consistency in care.

**Group Counseling:** is a focused group counseling session, which deals with issues identified by either clients or counselors. Emphasis is on emotional and behavioral issues. Each client receives group therapy on a daily basis.

**Life Skills Group:** This group consists of educational lectures/discussions using topics including identifying personal triggers, developing strategies to avoid triggers, identifying personal relapse dynamics and improving and utilizing support systems, stress management, coping skills, anxiety, anger, self esteem, and communication. Individuals will be given homework assignments as well as group assignments to improve the ability to deal with situations they encounter.

**Family Therapy:** is designed to assist family members and clients in reorienting and restructuring relationship systems. This component involves family members in family counseling sessions with the client's therapist. These sessions are supportive experiences providing opportunities to share and question aspects of the client's care relative to family interaction and/or intervention of the client's illness. The goal of family therapy is to provide the family with opportunities to increase understanding and knowledge regarding the child's behaviors, and to be assisted in enhancement of client and family stress management, communication, and leisure time skills. Client family members attend family therapy during the client's treatment stay.



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## Alcohol and Drug Residential Treatment

We at Village Behavioral Health understand that substance abuse is a stage that can lead to substance dependency. The good news is...**it is treatable!** Unfortunately for many, it may severely impair functioning in all areas of one's life before treatment is considered as an option. Our program at Village Behavioral Health provides comprehensive and individualized care for adolescents, involving family members as well as outpatient care professionals who can provide additional information and insight that will help us in the development of the Master Treatment Plan.

We assess each client who is struggling with substance use, to determine the appropriate and most effective approach to his/her treatment. This is accomplished by members of the treatment team consisting of, but not limited to, a psychiatrist, nurses, therapists, and behavioral health technicians. Family involvement is necessary for the healing work to begin, as substance use is something that affects all members of the family system. It is our goal to educate the client and his/her family on the symptoms of substance use, how to identify behaviors, events and emotional states that can lead to relapse and how to build a solid foundation for continued recovery.

We are committed to providing exceptional treatment, a safe environment, therapeutic programs and a discharge plan of success, sending our clients on the path to recovery from our door.

Directions (click on map):

<http://www.villagebh.com/teenage-mental-health-treatment-programs/alcohol-and-drug-program/>

Page Three  
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**(f) Please clarify which unit will serve those that are dually diagnosed with a psychiatric and chemical dependency diagnosis.**

That will depend on the admitting physician's diagnoses. If the physician sees substance abuse treatment as the highest priority, then admission to the chemical dependency unit would typically occur.

**(g) Please clarify if the proposed hospital will admit patients with intellectual disabilities.**

Crestwyn will admit patients with intellectual disabilities if their cognitive functioning is high enough to benefit from the programs offered. That would typically require an IQ of 70 or above.

**(h) The applicant mentions a 65 bed psychiatric hospital recently closed in Shelby County. If possible, please indicate the date of closure, reason for closure, and the name of the hospital.**

The application said that 65 beds have been closed in Shelby County since 2012. The Memphis Mental Health Institute recently turned over half of a 25-bed floor to the crisis program of a local mental health center, and has told the applicant that it can now staff no more than 60 of its 75 licensed beds (55 routinely; 60 at most). That accounts for 15 closed beds. Community Behavioral Health (CBH), a freestanding psychiatric hospital near downtown Memphis, had 50 licensed beds (19 staffed) until it closed in 2013. The applicant has verified the closure of CBH with the local office of the DMHSAS, which licenses such facilities. These two actions account for 65 recently closed beds. The applicant has no more information on specific closure dates or reasons for closure of the CBH beds.

**(i) Please list the psychiatric hospitals that have closed in the past three years in the proposed service area.**

Please see the response to question 4(h) above.

**(j) Please clarify if all four (4) of the proposed units will also have partial hospitalization units.**

The applicant currently plans to have Intensive Outpatient Programs (IOP's) 3 days per week, and/or Partial Hospitalization 5 days a week, available to patients from all four programs. These patients do not use inpatient beds.

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**5. Section B. II. A. Applicant's Need for the Proposed Project**

**(a) The applicant calculated the construction cost PSF at \$250.00. The cost appears to actually be \$244.00 PSF. Please verify.**

\$244.85 is the exact construction cost PSF; \$250 was just a rounding up for simplicity, and was used several places in the application. However, if staff requires the exact figure, it is on the following revised pages, attached after this response.

- 8R, TableTwo Construction Costs;
- 13R, Table Two Construction Costs repeated; and reference to cost PSF in text;
- 53R, Project Cost Chart, reference to cost PSF in line A5.
- 55R, Table Two repeated

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**(b) Please clarify if there will be a secured area for triage and assessment.**

There are three consulting rooms that will be used for secure holding and evaluation when needed. They are located on a corridor bordering the recreation gym, convenient to the admitting area.

**(c) Please clarify that an involuntary admission will be required to be admitted to a neighboring medical center's emergency room first prior to admission to the proposed psychiatric hospital.**

This is not routinely required in Tennessee.

**(d) Please clarify the reason an adult chemical dependency unit would need a seclusion room.**

All the wings were designed with similar support areas, so that in future years they can be used for various types of patients without structural modifications. The applicant recognizes that dual diagnosis adults would typically have the lowest level of psychiatric acuity and that they would rarely need seclusion or restraint. However, a seclusion room on the CD unit is sometimes needed for patient calming, or during a detoxification when side effects develop that would not be appropriate to a group setting. DMHSAS Licensing regulations direct that seclusion be used as little as possible.

**(e) Please clarify if the proposed psychiatric units will have restraint rooms.**

There is no difference in design between a seclusion room and a restraint room. Each unit has a seclusion room, which if necessary could be used for restraint. DMHSAS Licensing regulations direct that restraint must be available, but should be avoided if possible.

**(f) The eastern bed wing that contains the child and adolescent and geropsychiatric unit is noted. However, please clarify what areas will be shared by both units. What type of safeguards has been taken to insure the children and adolescent unit's safety and security?**

No areas of that eastern bed wing will be shared by those two mutually exclusive patient populations. However, all four units will use spaces in the facility's core area—such as group and activity therapy rooms, recreation, dining, and classrooms. Complete separation of patient populations will be accomplished by scheduling, as in all such facilities that serve several types and ages of patients.

**(g) Are all the four (4) proposed units locked? If not, which units are locked?**

All four units will be locked. Their doors will be secured by electronic locks.



Page Six  
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**(h) On page 11 the applicant states approximately \$25,200,000 will be funded by the applicant's ultimate parent company. The funding letter in the attachments is \$25,000,000, a difference of \$200,000. Please clarify.**

Attached following this page is a revised funding letter from the Chief Financial Officer, indicating the availability of \$25,200,000.

**(i) Please submit a square footage and cost per square footage chart.**

Attached following this page, after the CFO's revised funding letter.

**(j) Please recalculate the construction cost PSF of \$250.00 in Table Two on page 13.**

This has been done in response to question 5a above.

- 6. Section B. II. B. Applicant's Need for the Proposed Project  
In Table Six-B, shouldn't the Total line under Proposed read "183 (-60) to 223 (-20)"?**

Yes; thank you for noting the typographical error. That chart appears on pages 10 and 14 of the submitted application. Revised pages 10R and 14R are attached following this page.

Page Seven  
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**7. Section B. II. C. Applicant's Need for the Proposed Project**

**(a) Please identify the two referenced Memphis psychiatric hospitals that have closed beds in the past year. Please also identify the number and type of beds that were closed.**

Response 4(h) above provides most of that information. Based on its 2012 Joint Annual Report (JAR), Community Behavioral Health appears to have closed 50 adult psychiatric beds for patients age 18-64. It did not report serving any other age groups, or any chemical dependency patients, in its 2012 JAR.

The JAR of the other facility, Memphis Mental Health Institute, reported serving only adult psychiatric patients 18 years of age and older. Presumably their bed closure consisted of 25 adult psychiatric beds.

**(b) Please identify the referenced psychiatric facility on page 21 that had charity care less than one-half of one percent of gross revenues.**

That information may be found on page 18 of the 2012 Joint Annual Report of Lakeside Behavioral Health. The calculation was as follows:

Total Gross Revenue, one 4(e)	\$97,223,765
Charity Care, IP+OP, line 6(d)	\$416,435 (0.43% of Gross Revenues)

**8. Section C. (Need) 1. Specific Criteria (Acute Care Bed Services) Item 2.c.**

**(a) The table on page 30 is noted. However, the title of the table is not legible. Please provide a copy with a legible table title.**

The title of the table prints on both pages of the table, but is legible only on the second page. Attached after this page is a modified page 1 of the table.

**(b) Please explain the table on page 30.**

As stated at the top of page 28 of the application, pages 30-31 are a two-page table showing the Tennessee Department of Health's 2013-2017 hospital bed need projections by county, calculated using the formula in the Guidelines for Growth. This is always projected by the Department for use by CON applicants.

The ten Tennessee counties comprising the Crestwyn project's Tennessee primary service area are shaded grey, for easy identification. The applicant added a bottom line to the chart to show the net surplus of 1,400 hospital beds in those ten counties, as calculated by the Department.

ACUTE-CARE BED NEED PROJECTIONS FOR 2013 AND 2017

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COUNTY	PROJECTED		2011 ACTUAL BEDS		SHORTAGE/SURPLUS	
	ADC-2017	NEED 2017	LICENSED	STAFFED	LICENSED	STAFFED
Anderson	142	178	301	255	-123	-77
Beford	26	38	60	60	-22	-22
Benton	6	12	25	12	-13	0
Bledsoe	7	13	25	25	-12	-12
Blount	158	198	304	238	-106	-40
Bradley	113	141	351	207	-210	-66
Campbell	58	75	120	97	-45	-22
Cannon	22	32	60	50	-28	-18
Carroll	24	35	115	67	-80	-32
Carter	44	59	121	79	-62	-20
Chaatham	5	9	12	12	-3	-3
Chester	.	.	.	.	.	.
Claiborne	24	36	85	39	-49	-3
Clay	13	22	36	34	-14	-12
Cocke	17	27	74	38	-47	-11
Coffee	95	119	214	154	-95	-35
Crockett	.	.	.	.	.	.
Cumberland	73	93	189	133	-96	-40
Davidson	2,312	2,890	3,685	2,998	-795	-108
Decatur	8	14	40	27	-26	-13
Dekalb	13	22	71	56	-49	-34
Dickson	58	76	157	122	-81	-46
Dyer	47	64	225	120	-161	-56
Fayette	3	8	46	10	-38	-2
Fentress	20	31	85	54	-54	-23
Franklin	67	86	152	110	-66	-24
Gibson	16	25	209	90	-184	-65
Giles	20	31	95	81	-64	-50
Grainger	.	.	.	.	.	.
Greene	76	97	240	170	-143	-73
Grundy	.	.	.	.	.	.
Hamblen	121	152	302	226	-150	-74
Hamilton	1,106	1,382	1,596	1,236	-214	146
Hancock	2	6	10	10	-4	-4
Hardeman	3	6	51	21	-45	-15
Hardin	20	31	58	49	-27	-18
Hawkins	15	24	50	46	-26	-22
Haywood	7	13	62	36	-49	-23
Henderson	9	15	45	45	-30	-30
Henry	47	63	142	101	-79	-38
Hickman	3	8	25	25	-17	-17
Houston	12	19	35	35	-16	-16
Humphreys	5	10	25	25	-15	-15
Jackson	.	.	.	.	.	.
Jefferson	26	38	58	58	-20	-20
Johnson	0	1	2	2	-1	-1
Knox	1,288	1,609	2,167	1,758	-558	-149
Lake	.	.	.	.	.	.
Lauderdale	9	16	25	25	-9	-9
Lawrence	30	43	99	80	-56	-37
Lewis	.	.	.	.	.	.
Lincoln	22	33	59	59	-26	-26

Page Nine  
October 29, 2013

**(c) Please clarify if out-of-state involuntary admissions are permitted to be admitted into a Tennessee psychiatric unit.**

Delta Medical Center behavioral health staff have affirmed to the applicant that Tennessee courts can, and do, admit out-of-State residents to a Tennessee psychiatric program on an involuntary basis, provided the Tennessee program can accept such involuntary patients. It should be noted that the Medicaid program will not approve a freestanding psychiatric hospital's admission of persons 21 years of age or older.

**(d) Please clarify if the applicant will be a contracted provider for out-of-state patients who have Medicaid, commercial insurance, or single case agreements negotiated on each out-of-state patient admission.**

The applicant will seek all such contracts. With regard to Medicaid, the applicant's Memphis affiliate, Delta Medical Center, is a Medicaid provider for both Arkansas (on a negotiated per diem basis) and for Mississippi (on a DRG payment basis).

**10. Section C. (Need) 1. Specific Criteria (Inpatient Psychiatric Units) Item C.1. On the top of page 35, the applicant references "State Guidelines for Growth, on Guidelines page 5". Please clarify or provide a copy of which the applicant is referring.**

The reference is to the Tennessee's Health Guidelines for Growth, Criteria and Standards for Certificate of Need, 2000 edition. The cover and page 5 of that document are attached following this page.

**11. Section C. (Need) 1. Specific Criteria (Inpatient Psychiatric Units) Item C.2. Please indicate the designated Medically Underserved Areas of the proposed service area as designated by the U.S. Health Resources and Services Administration.**

This will be provided under separate cover on October 30.

Page Ten  
October 29, 2013

- 12. Section C. (Need) 1. Specific Criteria (Inpatient Psychiatric Units) Item C.3**  
**The applicant has provided letters of support in the attachments from two (2) state mental health institutions. Please respond to this criterion by discussing the letters of support from the state mental health institutions.**

At the time the application was written, the support of these facilities was anticipated but not yet in hand. The applicant is pleased that both the Memphis Mental Health Institute in Memphis, and Western Mental Health Institute in Bolivar, provided letters of support for this project shortly before the application was filed. Both letters cite a service area need for more mental healthcare options in the service area and in Memphis specifically. The letters mention no adverse impact on their operations.

- 13. Section C. (Need) 1. Specific Criteria (Inpatient Psychiatric Units) Item D. 1-2. and E.1**

**Please respond to "D. Relationship to Existing Similar Services in the area" and "E. Feasibility" in the Specific Criteria for Inpatient Psychiatric Units.**

Please see the responses to question 9a-b, above.

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October 29, 2013

**14. Section C. (Need) Item 2**

**Please clarify how the proposed Crestwyn and Delta Medical will function as a two campus system by addressing the acute medical co-morbidities while physically while being 12.7 miles apart in distance.**

The two hospitals will be owned by the same ultimate parent company, which has committed to operate them in a coordinated way. Delta Medical Center management and staff have worked with Acadia Healthcare to plan the Crestwyn project. They will assist with its post-CON implementation, including staff recruitment. Patient intake to Crestwyn will be facilitated by a centralized telephone screening office based at Delta Medical Center. This is logical because Delta has an emergency room that can quickly assess a prospective patient's medical co-morbidities.

It should be added that in Shelby County, community-based mobile crisis teams perform the vast majority of initial telephone screenings and subsequent on-site patient evaluations to determine patient treatment and transport needs. While Delta Medical Center does see some of these patients presenting at its ED, the overall experience is that less than 10% of DMC psychiatric admissions come through its ED. Patients tend to come from crisis centers and from other hospitals.

**15. Section C. (Need) Item 3**

**The applicant has stated the proposed service area will mirror that of Delta Medical Center. Please submit a chart of patient origin by county (in-state and out-of-state) for patients admitted to Delta Medical Center's Psychiatric Inpatient Units in 2012.**

Those tables are attached following this page.

**16. Section C. (Need) Item 4.B**

**What are DSH payments?**

Disproportionate Share Hospital ("DSH") certification is given by CMS to a hospital that has (a) at least 100 licensed medical-surgical beds, and (b) an unusually high Medicare and Medicaid payor mix. DSH certification enables the hospital to receive extra reimbursement for patient care to Medicare and Medicaid enrollees. It helps hospitals with an unusually high patient mix of elderly or low-income persons, resulting in excessive patient care costs per admission that would be difficult for the hospital to provide without extra reimbursement.

Supplemental Table: Delta Medical Center Behavioral Health Admissions--2012 (Page 1 of 2)					
A. DELTA MEDICAL CENTER CY2012 BEHAVIORAL HEALTH ADMISSIONS BY STATE & COUNTY			B. DELTA MEDICAL CENTER CY2012 BEHAVIORAL HEALTH ADMISSIONS BY STATE AND NUMBER OF ADMISSIONS		
COUNTY	STATE	ADMITS	COUNTY	STATE	ADMITS
CLAY	AR	1	CRITTENDEN	AR	68
CRAIGHEAD	AR	21	MISSISSIPPI	AR	26
CRITTENDEN	AR	68	CRAIGHEAD	AR	21
CROSS	AR	4	PHILLIPS	AR	18
FULTON	AR	1	SAINT FRANCIS	AR	17
GREENE	AR	11	POINSETT	AR	16
JACKSON	AR	3	LAWRENCE	AR	13
LAWRENCE	AR	13	GREENE	AR	11
LEE	AR	3	RANDOLPH	AR	9
MISSISSIPPI	AR	26	CROSS	AR	4
PHILLIPS	AR	18	JACKSON	AR	3
POINSETT	AR	16	LEE	AR	3
POPE	AR	1	PULASKI	AR	2
PULASKI	AR	2	CLAY	AR	1
RANDOLPH	AR	9	FULTON	AR	1
SAINT FRANCIS	AR	17	POPE	AR	1
SHARP	AR	1	SHARP	AR	1
WOODRUFF	AR	1	WOODRUFF	AR	1
ALCORN	MS	2	DESOTO	MS	89
BENTON	MS	5	MARSHALL	MS	27
BOLIVAR	MS	4	TATE	MS	21
CALHOUN	MS	2	PANOLA	MS	15
CARROLL	MS	1	COAHOMA	MS	9
CLAIBORNE	MS	1	YALOBUSHA	MS	8
COAHOMA	MS	9	LEFLORE	MS	7
DESOTO	MS	89	QUITMAN	MS	6
GRENADA	MS	4	BENTON	MS	5
HINDS	MS	1	LEE	MS	5
ITAWAMBA	MS	1	BOLIVAR	MS	4
LAFAYETTE	MS	4	GRENADA	MS	4
LEE	MS	5	LAFAYETTE	MS	4
LEFLORE	MS	7	TIPPAH	MS	4
MARSHALL	MS	27	ALCORN	MS	2
MONTGOMERY	MS	2	CALHOUN	MS	2
PANOLA	MS	15	MONTGOMERY	MS	2
PONTOTOC	MS	1	TUNICA	MS	2
PRENTISS	MS	1	CARROLL	MS	1
QUITMAN	MS	6	CLAIBORNE	MS	1
STONE	MS	1	HINDS	MS	1
TATE	MS	21	ITAWAMBA	MS	1
TIPPAH	MS	4	PONTOTOC	MS	1
TUNICA	MS	2	PRENTISS	MS	1
UNION	MS	1	STONE	MS	1
WASHINGTON	MS	1	UNION	MS	1
YALOBUSHA	MS	8	WASHINGTON	MS	1
BENTON	TN	4	SHELBY	TN	785
CARROLL	TN	8	MADISON	TN	41
CHESTER	TN	5	FAYETTE	TN	32
CROCKETT	TN	2	HARDEMAN	TN	25
DAVIDSON	TN	1	TIPTON	TN	25
DECATUR	TN	2	GIBSON	TN	22
DYER	TN	19	LAKE	TN	20
FAYETTE	TN	32	DYER	TN	19
GIBSON	TN	22	HARDIN	TN	15
HARDEMAN	TN	25	McNAIRY	TN	15
HARDIN	TN	15	LAUDERDALE	TN	13
HAYWOOD	TN	5	WEAKLEY	TN	11
HENDERSON	TN	8	CARROLL	TN	8
HUMPHREY	TN	1	HENDERSON	TN	8
LAKE	TN	20	OBION	TN	6
LAUDERDALE	TN	13	CHESTER	TN	5
MADISON	TN	41	HAYWOOD	TN	5
McNAIRY	TN	15	BENTON	TN	4
MONTGOMERY	TN	4	MONTGOMERY	TN	4
OBION	TN	6	CROCKETT	TN	2
SHELBY	TN	785	DECATUR	TN	2
TIPTON	TN	25	DAVIDSON	TN	1
WEAKLEY	TN	11	HUMPHREY	TN	1
OTHER STATES		14	OTHER STATES		14
TOTAL		1524	TOTAL		1524

Source: Delta Medical Center Management

Note: Admissions differ slightly from discharges of 1500 reported in DMC 2012 JAR.

**Supplemental Table: Delta Medical Center  
Behavioral Health Admissions--2012 (Page 2 of 2)**

C. DELTA MEDICAL CENTER CY2012 BEHAVIORAL HEALTH ADMISSIONS BY NUMBER OF ADMISSIONS						D. DELTA MEDICAL CENTER CY2012 BEHAVIORAL HEALTH ADMISSIONS PRIMARY SERVICE AREA (86% OF ADMISSIONS) BY STATE				
COUNTY	STATE	ADMITTS	CUMULATIVE ADMITTS	COUNTY % OF ADMITS	CUMULATIVE PERCENT	COUNTY	STATE	ADMITTS	STATE TOTAL	STATE % OF ADMITS
SHELBY	TN	785	785	51.5%	51.5%	CRITTENDEN	AR	68		
DESOTO	MS	89	874	5.8%	57.3%	MISSISSIPPI	AR	26		
CRITTENDEN	AR	68	942	4.5%	61.8%	CRAIGHEAD	AR	21		
MADISON	TN	41	983	2.7%	64.5%	PHILLIPS	AR	18		
FAYETTE	TN	32	1015	2.1%	66.6%	SAINT FRANCIS	AR	17		
MARSHALL	MS	27	1042	1.8%	68.4%	POINSETT	AR	16	166	10.89%
MISSISSIPPI	AR	26	1068	1.7%	70.1%	DESOTO	MS	89		
HARDEMAN	TN	25	1093	1.6%	71.7%	MARSHALL	MS	27		
TIPTON	TN	25	1118	1.6%	73.4%	TATE	MS	21		
GIBSON	TN	22	1140	1.4%	74.8%	PANOLA	MS	15	152	9.97%
CRAIGHEAD	AR	21	1161	1.4%	76.2%	SHELBY	TN	785		
TATE	MS	21	1182	1.4%	77.6%	MADISON	TN	41		
LAKE	TN	20	1202	1.3%	78.9%	FAYETTE	TN	32		
DYER	TN	19	1221	1.2%	80.1%	HARDEMAN	TN	25		
PHILLIPS	AR	18	1239	1.2%	81.3%	TIPTON	TN	25		
SAINT FRANCIS	AR	17	1256	1.1%	82.4%	GIBSON	TN	22		
POINSETT	AR	16	1272	1.0%	83.5%	LAKE	TN	20		
PANOLA	MS	15	1287	1.0%	84.4%	DYER	TN	19		
HARDIN	TN	15	1302	1.0%	85.4%	HARDIN	TN	15		
MCMURRAY	TN	15	1317	1.0%	86.4%	MCMURRAY	TN	15	999	65.55%
LAWRENCE	AR	13	1330	0.9%	87.3%	TOTAL PSA				1317 86.42%
LAUDERDALE	TN	13	1343	0.9%	88.1%	LAWRENCE	AR	13		
GREENE	AR	11	1354	0.7%	88.8%	GREENE	AR	11		
WEAKLEY	TN	11	1365	0.7%	89.6%	RANDOLPH	AR	9		
RANDOLPH	AR	9	1374	0.6%	90.2%	CROSS	AR	4		
COAHOMA	MS	9	1383	0.6%	90.7%	JACKSON	AR	3		
YALOBUSHA	MS	8	1391	0.5%	91.3%	LEE	AR	3		
CARROLL	TN	8	1399	0.5%	91.8%	PULASKI*	AR	2		
HENDERSON	TN	8	1407	0.5%	92.3%	CLAY	AR	1		
LEFLORE	MS	7	1414	0.5%	92.8%	FULTON	AR	1		
QUITMAN	MS	6	1420	0.4%	93.2%	POPE*	AR	1		
OBION	TN	6	1426	0.4%	93.6%	SHARP	AR	1		
BENTON	MS	5	1431	0.3%	93.9%	WOODRUFF	AR	1	50	3.28%
LEE	MS	5	1436	0.3%	94.2%	COAHOMA	MS	9		
CHESTER	TN	5	1441	0.3%	94.6%	YALOBUSHA	MS	8		
HAYWOOD	TN	5	1446	0.3%	94.9%	LEFLORE	MS	7		
CROSS	AR	4	1450	0.3%	95.1%	QUITMAN	MS	6		
BOLIVAR	MS	4	1454	0.3%	95.4%	BENTON	MS	5		
GRENADA	MS	4	1458	0.3%	95.7%	LEE	MS	5		
LAFAYETTE	MS	4	1462	0.3%	95.9%	BOLIVAR	MS	4		
TIPPAH	MS	4	1466	0.3%	96.2%	GRENADA	MS	4		
BENTON	TN	4	1470	0.3%	96.5%	LAFAYETTE	MS	4		
MONTGOMERY	TN	4	1474	0.3%	96.7%	TIPPAH	MS	4		
JACKSON	AR	3	1477	0.2%	96.9%	ALCORN	MS	2		
LEE	AR	3	1480	0.2%	97.1%	CALHOUN	MS	2		
PULASKI*	AR	2	1482	0.1%	97.2%	MONTGOMERY	MS	2		
ALCORN	MS	2	1484	0.1%	97.4%	TUNICA	MS	2		
CALHOUN	MS	2	1486	0.1%	97.5%	CARROLL	MS	1		
MONTGOMERY	MS	2	1488	0.1%	97.6%	CLAIBORNE*	MS	1		
TUNICA	MS	2	1490	0.1%	97.8%	HINDS*	MS	1		
CROCKETT	TN	2	1492	0.1%	97.9%	ITAWAMBA	MS	1		
DECATUR	TN	2	1494	0.1%	98.0%	PONTOTOC	MS	1		
CLAY	AR	1	1495	0.1%	98.1%	PRENTISS	MS	1		
FULTON	AR	1	1496	0.1%	98.2%	STONE*	MS	1		
POPE*	AR	1	1497	0.1%	98.2%	UNION	MS	1		
SHARP	AR	1	1498	0.1%	98.3%	WASHINGTON	MS	1	73	4.79%
WOODRUFF	AR	1	1499	0.1%	98.4%	LAUDERDALE	TN	13		
CARROLL	MS	1	1500	0.1%	98.4%	WEAKLEY	TN	11		
CLAIBORNE*	MS	1	1501	0.1%	98.5%	CARROLL	TN	8		
HINDS*	MS	1	1502	0.1%	98.6%	HENDERSON	TN	8		
ITAWAMBA	MS	1	1503	0.1%	98.6%	OBION	TN	6		
PONTOTOC	MS	1	1504	0.1%	98.7%	CHESTER	TN	5		
PRENTISS	MS	1	1505	0.1%	98.8%	HAYWOOD	TN	5		
STONE*	MS	1	1506	0.1%	98.8%	BENTON	TN	4		
UNION	MS	1	1507	0.1%	98.9%	MONTGOMERY	TN	4		
WASHINGTON	MS	1	1508	0.1%	99.0%	CROCKETT	TN	2		
DAVIDSON	TN	1	1509	0.1%	99.0%	DECATUR	TN	2		
HUMPHREY	TN	1	1510	0.1%	99.1%	DAVIDSON	TN	1		
UNKNOWN	OTHER STATES	14	1524	0.9%	100.0%	HUMPHREY	TN	1	70	4.59%
TOTAL		1524				TOTAL SSA				193 193
						TOTAL SA				1510 1510 99.1%

Source: Delta Medical Center Management

## Notes:

1. Asterisked counties omitted from service area maps, being both noncontiguous and very distant from other service area counties.
2. Primary service area counties are unshaded.



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October 29, 2013

**17. Section C. (Need) Item5. (Utilization of other providers' services in the Applicant's service area)**

**(a) Table Fourteen-A of psychiatric bed utilization in the Tennessee primary service area is noted for 2010-2012. Please add a column to each chart that reflects occupancy on staff beds.**

The applicant has been able to add more data to originally submitted Tables Fourteen-A and -B.

Attached following this page are Supplemental Tables Fourteen-A and -B, which are now numbered as revised ages 48R and 49R.

Staffed bed data has been added to Fourteen-A for the Tennessee primary service area. No data is available for staffed bed data in the Arkansas and Mississippi service areas. Fourteen-B provides the only publicly available data the applicant found.

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October 29, 2013

**(b) What does DMHSAS stand for?**

It stands for the Department of Mental Health and Substance Abuse Services, the State agency that licenses free-standing behavioral health hospitals. Its previous name, changed recently, was the Department of Mental Health and Developmental Disabilities.

**(c) Is there a need to restore 60 psychiatric beds to the proposed service area when there is only 2012 59.7% psychiatric beds occupancy in the proposed service area?**

The applicant believes that there is a need for this project for the reasons stated in the application. Occupancy of beds in the area is not the only dimension of need. The project will offer one of the service area's most comprehensive programs for adolescents and adults. It will coordinate admissions with an affiliated general medical-surgical hospital so that patients with medical co-morbidities may be efficiently placed in the appropriate program. It will increase financial accessibility in Memphis. It will be located in a population growth sector that is now underserved in mental healthcare.

**18. Section C. (Need) Item 6. (The Applicant's Historical and Projected Utilization)**

The projected utilization in Years One and Year Two of the proposed project is noted. However, please provide Projected Utilization in Year One and Year Two for each of the four proposed psychiatric units. This will assist in assessing the impact of these units to providers that only provide one type of psychiatric service such as inpatient gero-psych or inpatient adolescent psych.

Projected Admissions By Unit, Years One and Two				
	Year One		Year Two	
	Admissions	Patient Days	Admissions	Patient Days
Mental Health, Age 65+	243	3,281	408	4,996
Mental Health, Age 18-64	280	3,220	487	5,481
Mental Health, Age 13-17	335	2,178	587	3,844
Chemical Dependency	162	1,118	294	1,910
Totals	1,020	9,795	1,776	16,231

Page Fourteen  
October 29, 2013

**19. Section C. (Economic Feasibility) Items 1 and 2. Project Cost Chart**

**(a) The fair market of the land parcel appears to be \$4,500,000. Please clarify how the fair market value of the project site was calculated in the Project Cost Chart.**

The June 2013 site commitment letter from Baptist Memorial Health Services stated a value of \$4,500,000 for the 51-acre tract to be transferred to the applicant for the hospital project. However, as shown on the site plan in the Attachments, the actual hospital site will require only one parcel of approximately 19 acres. The remaining 32 acres will be used for public streets and for other types of development. So the site that should be allocated to Crestwyn was calculated at 19 acres / 51 acres, or approximately 37.3%, of the Baptist property. The \$4,500,000 full land value, multiplied by 37.3%, is the \$1,678,500 site value entered on line B3 of the Project Cost Chart.

**(b) The documentation of \$25,000,000 from Acadia's CFO is noted. The actual capital cost on the Project Costs Chart is \$25,197,362. Please provide documentation of the availability of the \$197,362 difference.**

A revised CFO funding letter for \$25,200,000 has been attached in response to your question #6(h) above.

**20. Section C. (Economic Feasibility) Item 3**

**Please verify the construction cost of \$250.00 PSF in Table Two.**

This number has been revised to \$244.85. A revised page 55R has been provided in response to question #5(a) above, along with several other pages with the revised number.

**21. Section C. (Economic Feasibility) Item 4**

**(a) Physician salaries and wages in the amount of \$350,000 in Year One and \$450,000 in Year Two are noted in the Projected Data Chart. Please clarify the number of FTE's assigned to this expense category.**

Those FTE's are now set forth in an amended Staffing Table, provided in response to question #26 below.

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October 29, 2013

**(b)(1) Please clarify if the Medical Director will also be an addictionologist.**

Each program will have a Medical Director. In addition, there will be a Medical Director for the hospital. These positions will be contracted professionals initially. A qualified addictionologist will be recruited to direct the Chemical Dependency program.

**(b)(2) Please complete the Projected Data Chart "other expenses" category that are attached to the end of this document.**

Revised page 58R is attached following this page.

**22. Section C. (Economic Feasibility) Item 5**

**Table Sixteen identifying the project's average gross charge, average deduction from operating revenue, and average net charge is noted. Please revise the chart using total gross operating revenue rather than gross inpatient service revenue in calculating the project's average gross charge, average deduction from operating revenue, and average net charge.**

The requested changes have been made. Attached after this page is revised page 59R.

**23. Section C. (Economic Feasibility) 6b.**

**Please complete the referenced chart on page 61 titled Crestwyn Behavioral Health, Gross Charge Data for Most Frequent Services".**

The revised chart is attached after this page, as revised page 61R.

Page Sixteen  
October 29, 2013

**24. Section C. (Economic Feasibility) Item 8.**

**Please clarify how a positive cash flow will be attained early in operation because Acadia will be able to triage admissions between Delta Medical Center's and Crestwyn's program to maintain viability at both locations.**

Under Acadia's ownership the past year, Delta Medical Center has recovered from a very weak financial condition, and is now experiencing strong census growth, positive cash flow, and increased earnings. As its medical-surgical services improve with new physician recruitment, it will be able to contribute licensed beds and behavioral health admissions to Crestwyn without jeopardizing its own financial position. Under Acadia's direction, both hospitals will be kept financially viable.

**25. Section C. (Economic Feasibility) Item 10**

**Your response is noted. Please provide a copy of the referenced financial documents provided as attachment C. Economic Feasibility—10.**

Acadia's income statement and balance sheet for CY2012 will be filed under separate cover tomorrow.

**26. Section C. Orderly Development, Item 3**

**(a) The Projected Staffing as listed in Table Twenty is noted. However, please clarify the reason no licensed outpatient psychiatric or chemical dependency therapists are listed even though outpatient revenue is part of the total project cost.**

**(b) Please indicate the reason there are no LADACs (Licensed Addiction Drug and Alcohol Counselors), LPEs (Licensed Psychological Examiners), Psychologists, LCSWs (Licensed Clinical Social Workers), Master's Level Therapist, etc. listed in the Projected Staffing table while the proposed project is an inpatient psychiatric hospital.**

In response to both (a) and (b) above, the applicant has revised job titles and other data in the Staffing Chart (application page 69) to clarify that the facility will be appropriately staffed. This has not changed the salary expense data in the Projected Data Chart. Please see the revised Staffing Chart and its footnotes, p. 69R, attached after this page. The chart now also shows the contracted physicians that will provide medical supervision for the hospital and for each of its four programs.

Also attached is a revised page 7R changing the total FTE's in Year Two to 63.5.

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October 29, 2013

**27. Project Completion forecast Chart**  
**Please complete a Project Completion Forecast Chart.**


It is attached following this page.

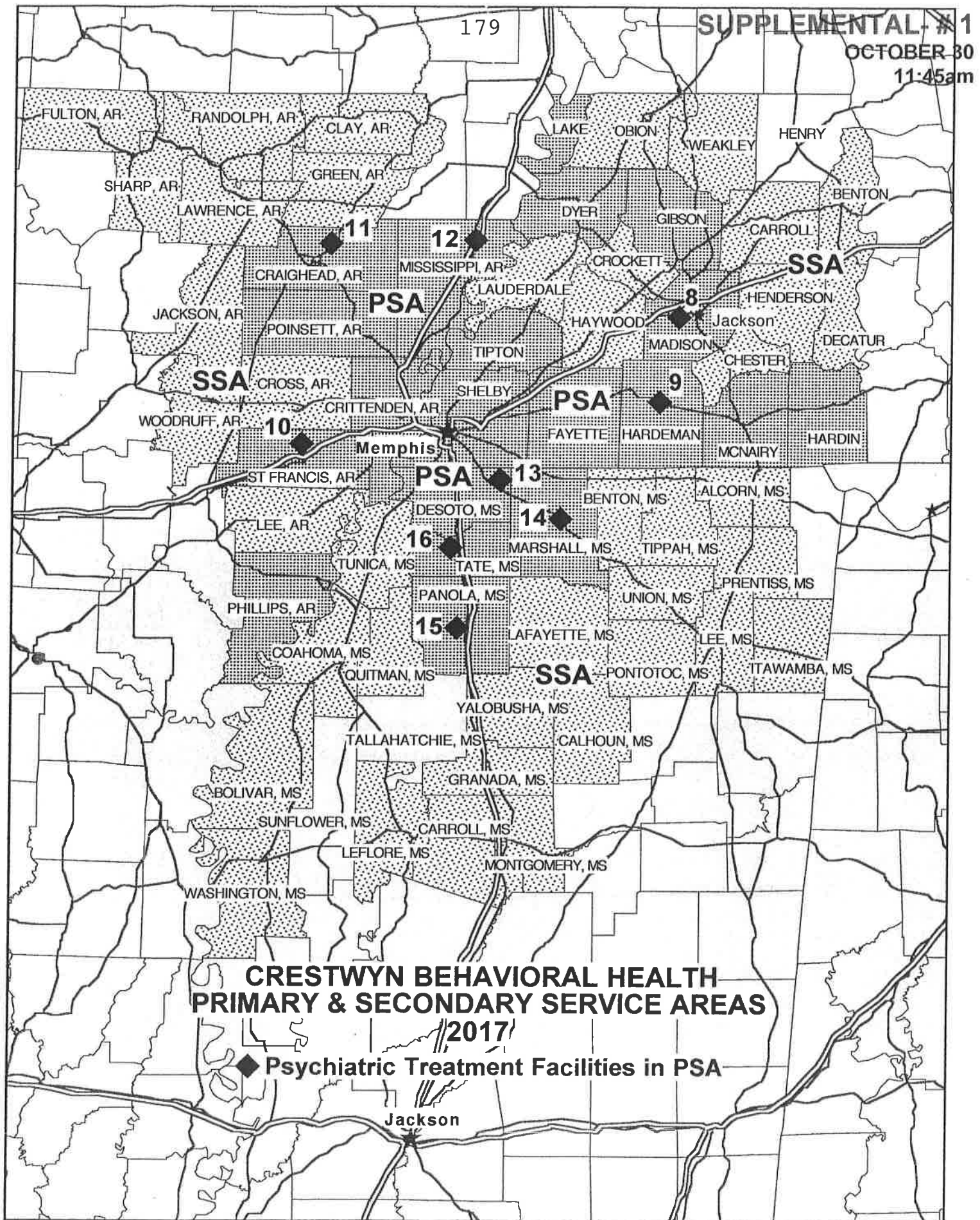
Other Items Submitted:

1. The applicant is amending the application to clarify that the first full year of operation of Crestwyn Behavioral Health will be CY2016--not CY2015 as stated in several places. Page 59R has been corrected for the date, and attached at another question in this letter. Attached behind this page are revised pages 10R, 50R, and 60R changing Year One to CY2016.
2. The applicant has identified more psychiatric providers in parts of the Arkansas and Mississippi service area. Their names and bed data are in Supplemental Tables Eleven-B, Eleven-C, and Fourteen-B, attached to prior responses in this letter. Attached behind this page are revised narrative pages 16R, 17R, and 19R, and a revised location map for all service area facilities.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please FAX or telephone me so that we can respond in time to be deemed complete.

Respectfully,

  
John Wellborn  
Consultant



**The Commercial Appeal  
Affidavit of Publication**

**STATE OF TENNESSEE  
COUNTY OF SHELBY**

Personally appeared before me Patrick Maddox, a Notary Public, Ramona Hale, of MEMPHIS PUBLISHING COMPANY, a corporation, publishers of The Commercial Appeal, morning and Sunday paper, published in Memphis, Tennessee, who makes oath in due form of law, that he is Legal Clerk of the said Memphis Publishing Company, and that the accompanying and hereto attached notice was published in the following edition of The Commercial Appeal to-wit:

**October 10, 2013**

Ramona Hale

Subscribed and sworn to before me this 11<sup>th</sup> day of October, 2013

Patrick Maddox Notary Public

My commission expires 2/15/14



My Commission Expires 02/15/2016



AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY:

CRESTVIEW BEHAVIORAL HEALTH

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the lawful agent of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge.

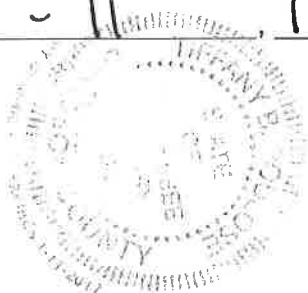
\_\_\_\_\_  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30 day of OCTOBER, 2013,  
witness my hand at office in the County of DAVIDSON, State of Tennessee.

  
\_\_\_\_\_  
NOTARY PUBLICMy commission expires 1 - 11 - 17

HF-0043

Revised 7/02



**COPY-**  
**SUPPLEMENTAL-2**

Crestwyn Behavioral Health

**CN1310-040**

October 31, 2013

Phillip M. Earhart, Health Planner III  
Tennessee Health Services and Development Agency  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37203

RE: CON Application CN 1310-040  
Crestwyn Behavioral Health

Dear Mr. Earhart:

This letter responds to your second request for supplemental information on this application. The items below are numbered to correspond to your questions. They are provided in triplicate, with affidavit.

**1. Section A, Applicant Profile, Item 1.**

**Your response is noted. The LOI notes the proposed city of the applicant will be Germantown, TN rather than Memphis, TN. Please provide a corrected page.**

Attached following this page is a corrected page 1R.

**2. Section A, Applicant Profile Item 6**

**The legal interest in the site by a letter of commitment by Baptist Memorial Health Systems, Inc. (BMHSI) is noted. However, please provide a copy of the contract that specifies BMHSI is committed to contributing the land to Crestwyn Health Group, LLC in exchange for a 20% interest in the company upon issuance of a Certificate of Need (CON) to the applicant.**

To supplement the letter of intent, attached at the end of this response letter is the fully executed Operating Agreement in which Baptist Memorial Health Systems, Inc. and Crestwyn Health Group, LLC have contractually agreed that Baptist will contribute the property to the project in exchange for ownership interest in the LLC. Please note pages 10-11 and Exhibit 3.1 in the Operating Agreement.

Page Two  
October 31, 2013

- 3. Section C. (Need) 1. Specific Criteria (Inpatient Psychiatric Units) Item C.2.** Please indicate the designated Medically Underserved Areas of the proposed service area as designated by the U.S. Health Resources and Services Administration. The applicant states the response will be provided under separate cover on October 30. Please submit.

Attached at the end of this response letter are HRSA documents listing all such designated MUA's in the project service area.

- 4. Section C. (Need) Item 6. (The Applicant's Historical and Projected Utilization)**

The projected utilization in Years One and Year Two of the proposed project is noted. However, in the table provided by the applicant for Year Two notes total patient days of 16,231, while the projected data chart and other parts of the application reflects 16,225 days. Please clarify.

That arose from rounding by staff of Delta Medical Center, who assisted Acadia in planning this project. An amended projection table projecting 16,225 days in Year Two is provided below:

Projected Admissions By Unit, Years One and Two (Revised on Second Supplemental)				
	Year One		Year Two	
	Admissions	Patient Days	Admissions	Patient Days
Mental Health, Age 65+	243	3,281	408	4,996
Mental Health, Age 18-64	280	3,220	487	5,481
Mental Health, Age 13-17	335	2,178	587	3,844
Chemical Dependency	162	1,118	294	1,904
Totals	1,020	9,795	1,776	16,225

- 5. Section C. (Economic Feasibility) Item 10**

Your response is noted. The applicant states the financial information will be filed under separate cover. Please provide a copy of the referenced financial documents provided as attachment C. Economic Feasibility—10.

Acadia Healthcare's income statement and balance sheet from their current 10K filing with the SEC are attached at the end of this response letter, to document the company's ability to fund this project.

Page Three  
October 31, 2013

**6. Section C. Orderly Development, Item 3**

**The Projected Staffing as listed in Table Twenty is noted. Please clarify how the applicant can increase full-time positions from fifty-five (55) in the original application, to 63.5 in the supplemental application with no increase in the Salaries and Wages Expense amount in the Projected Data Chart**

Acadia's corporate staff have built or operated several facilities like Crestwyn, and feel comfortable in accurately estimating total salary expenses that will be incurred for the utilization levels projected, without building a salary projection "from the ground up", FTE by FTE.

For this application, Acadia corporate staff reviewed salaries and benefits across all facilities and found them to average approximately 57.1% of net operating revenue. Therefore Crestwyn was projected at 58% in Year One, and 59% in Year Two. For the names and FTE's of specific positions, Acadia says that they initially filed the staffing chart using job classifications that had been accepted by HSDA staff in the Rolling Hills psychiatric hospital application approved by the HSDA in Williamson County not long ago (CN0612-096). (Management at Acadia were formerly with the company that filed that application, and were familiar with its history).

In reviewing the staffing projection again, Acadia has confirmed this morning that the gross expense estimate is ample to cover the additional 8.5 FTE's whose positions had not been named in the original projection.

**Additional Item to Supplement C(II)6B of the Application**

To add to the information on page 60 of the application, I am submitting a new table comparing Crestwyn's proposed Year One (2016) charges to those of some other freestanding psychiatric facilities in the service area, as reported in their 2012 Joint Annual Reports.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please FAX or telephone me so that we can respond in time to be deemed complete.

Respectfully,



John Wellborn  
Consultant

<b>Supplemental Table for C(II)6B--Crestwyn Behavioral Health</b> <b>Charge Comparison to Private Free Standing Psychiatric Hospitals in Tennessee Service Area</b> <b>2012 Joint Annual Report Data for Other Facilities</b>								
Facility	Gross Patient Charges	Net Patient Charges	Discharges	Patient or Discharge Days	Gross Charge Per Stay	Net Charge Per Stay	Gross Charge Per Day	Net Charge Per Day
Crestwynn 2016 (Yr 1)	\$14,080,313	\$7,955,377	1,020	9,795	\$13,804	\$7,799	\$1,438	\$812.19
Lakeside (2012 )	\$97,223,765	\$48,690,511	6,606	63,508	\$14,717	\$7,371	\$1,531	\$766.68
CBH (2012) (closed)	\$8,745,251	\$3,826,511	772	6,655	\$11,328	\$4,957	\$1,314	\$574.98
Pathways (2012)	\$18,598,530	\$10,010,334	590	2,846	\$31,523	\$16,967	\$6,535	\$3,517.33

Source: Joint Annual Reports for 2012; pages 18 & 25.

Acadia Healthcare Company, Inc. (Filer) <sup>187</sup> CIK: 0001520697**SUPPLEMENTAL- # 2****OCTOBER 31****12:20pm**

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Consolidated Balance Sheets (USD \$) In Thousands, unless otherwise specified	Dec. 31, 2012	Dec. 31, 2011
<b>Current assets:</b>		
Cash and cash equivalents	\$ 49,399	\$ 61,118
Accounts receivable, net of allowances for doubtful accounts of \$7,484 and \$2,424, respectively	63,870	35,127
Deferred tax assets	11,380	6,239
Other current assets	16,332	10,121
<b>Total current assets</b>	<b>140,981</b>	<b>112,605</b>
<b>Property and equipment:</b>		
Land	39,130	14,115
Building and Improvements	171,769	53,514
Equipment	19,773	8,222
Construction in progress	19,300	12,945
Less accumulated depreciation	(13,030)	(5,824)
<b>Property and equipment, net</b>	<b>236,942</b>	<b>82,972</b>
Goodwill	557,402	186,815
Intangible assets, net	15,988	8,232
Deferred tax assets - noncurrent		6,006
Other assets	32,100	16,366
<b>Total assets</b>	<b>983,413</b>	<b>412,996</b>
<b>Current liabilities:</b>		
Current portion of long-term debt	7,680	6,750
Accounts payable	19,081	8,642
Accrued salaries and benefits	28,749	16,195
Other accrued liabilities	16,341	9,081
<b>Total current liabilities</b>	<b>71,851</b>	<b>40,668</b>
Long-term debt	465,638	270,709
Deferred tax liabilities - noncurrent	998	
Other liabilities	12,376	5,254
<b>Total liabilities</b>	<b>550,863</b>	<b>316,631</b>
<b>Equity:</b>		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, no shares issued		
Common stock, \$0.01 par value; 90,000,000 shares authorized; 49,887,300 and 32,115,929 issued and outstanding as of December 31, 2012 and 2011, respectively	499	321
Additional paid-in capital	456,228	140,624
Accumulated deficit	(24,177)	(44,580)
<b>Total equity</b>	<b>432,550</b>	<b>96,365</b>
<b>Total liabilities and equity</b>	<b>\$ 983,413</b>	<b>\$ 412,996</b>

Acadia Healthcare Company, Inc. (Filer) CIK: 0001520697 188

SUPPLEMENTAL- # 2

OCTOBER 31

12:20pm

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Consolidated Statements of Operations (USD \$) In Thousands, except Per Share data, unless otherwise specified	3 Months Ended								12 Months Ended		
	Dec. 31, 2012	Sep. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2012	Sep. 30, 2011	Dec. 31, 2010
Revenue before provision for doubtful accounts									\$ 413,850	\$ 219,704	\$ 64,342
Provision for doubtful accounts									(8,389)	(3,206)	(2,238)
Revenue	114,252	103,118	100,530	89,563	76,355	60,722	63,675	18,849	407,461	216,498	62,103
Salaries, wages and benefits (including equity-based compensation expense of \$2,287, \$17,320 and \$0, respectively)									238,639	162,009	38,081
Professional fees									18,019	8,890	1,075
Supplies									19,490	11,340	3,899
Rent and leases									7,838	5,878	1,286
Other operating expenses									42,777	20,171	6,870
Depreciation and amortization									7,082	4,278	978
Interest expense, net									28,769	9,191	738
Sponsor management fees										1,347	120
Transaction-related expenses									8,112	41,647	918
Total expenses									374,632	264,064	54,045
Income (loss) from continuing operations before income taxes	7,508	10,311	10,020	4,992	(23,471)	4,479	(18,946)	(628)	32,829	(38,466)	7,158
Provision for (benefit from) income taxes									12,326	(5,272)	477
Income (loss) from continuing operations									20,504	(33,194)	6,681
Loss from discontinued operations, net of income taxes									(101)	(1,868)	(471)
Net income (loss)	\$ 4,365	\$ 6,450	\$ 5,809	\$ 3,670	\$ (15,000)	\$ 3,123	\$ (21,857)	\$ (249)	\$ 20,403	\$ (34,892)	\$ 6,210
Basic earnings (loss) per share:											
Income (loss) from continuing operations									\$ 0.63	\$ (1.77)	\$ 0.38
Loss from discontinued operations									\$ (0.09)	\$ (0.03)	\$ (0.03)
Net income (loss)									\$ 0.53	\$ (1.86)	\$ 0.35
Diluted earnings (loss) per share:											
Income (loss) from continuing operations									\$ 0.63	\$ (1.77)	\$ 0.38
Loss from discontinued operations									\$ (0.09)	\$ (0.03)	\$ (0.03)
Net income (loss)									\$ 0.53	\$ (1.86)	\$ 0.35
Weighted-average shares outstanding:											
Basic									38,477	18,757	17,833
Diluted									38,696	18,757	17,833



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Acadia Healthcare Company, Inc. (Filer) CIK: 0001520697

SUPPLEMENTAL- # 2

OCTOBER 31

12:20pm

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Consolidated Statements of Cash Flows (USD \$)		12 Months Ended		
In Thousands, unless otherwise specified		Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
<b>Operating activities:</b>				
Net Income (loss)		\$ 20,403	\$ (34,892)	\$ 6,210
<b>Adjustments to reconcile net Income (loss) to net cash provided by (used in) continuing operating activities:</b>				
Depreciation and amortization		7,982	4,278	976
Provision for doubtful accounts		6,389	3,206	2,239
Amortization of debt issuance costs		2,507	1,271	
Equity-based compensation expense		2,267	17,320	
Deferred income tax expense (benefit)		2,847	(6,442)	(145)
Other		(3)	(168)	
Loss from discontinued operations, net of taxes		101	1,698	471
<b>Change in operating assets and liabilities, net of effect of acquisitions:</b>				
Accounts receivable		(16,733)	(4,881)	(2,174)
Other current assets		1,583	(1,625)	35
Other assets		637	(969)	
Accounts payable and other accrued liabilities		485	3,326	541
Accrued salaries and benefits		5,142	(1,759)	187
Other liabilities		702	734	(250)
Net cash (used in) provided by continuing operating activities		34,309	(18,903)	8,090
Net cash (used in) provided by discontinued operating activities		(411)	(1,763)	105
Net cash provided by (used in) operating activities		33,898	(20,666)	8,195
<b>Investing activities:</b>				
Cash paid for acquisitions, net of cash acquired		(443,473)	(206,379)	
Cash paid for capital expenditures		(27,595)	(9,558)	(1,495)
Cash paid for real estate acquisitions		(53,159)	(8,706)	
Other		(417)	(689)	
Net cash used in continuing investing activities		(524,644)	(225,332)	(1,495)
Net cash used in discontinued investing activities			(238)	(3)
Net cash used in investing activities		(524,644)	(225,570)	(1,498)
<b>Financing activities:</b>				
Borrowings on long-term debt		176,063	282,485	
Principal payments on long-term debt		(6,000)	(5,063)	(275)
Repayment of long-term debt			(9,984)	
Payment of debt issuance costs		(4,551)	(12,111)	
Issuances of common stock		311,841	67,162	
Proceeds from stock option exercises		980	38	
Excess tax benefit from equity awards		714		
Cash distribution paid to equity holders			(74,441)	
Contribution from Holdings			51,029	
Distributions to equity holders			(375)	(2,297)
Net cash (used in) provided by financing activities		479,027	298,740	(2,572)
Net (decrease) increase in cash and cash equivalents		(11,719)	52,504	4,125
Cash and cash equivalents at beginning of the period		61,118	8,614	4,489
Cash and cash equivalents at end of the period		49,399	61,118	8,614
<b>Supplemental Cash Flow Information:</b>				
Cash paid for interest		27,238	5,053	587
Cash paid for income taxes		3,928	2,564	700
<b>Significant Non-Cash Transactions:</b>				
Issuance of common stock in connection with acquisition			44,025	
Issuance of replacement share-based awards in connection with acquisition			1,027	
Contingent consideration issued in connection with acquisition		6,120		
<b>Effect of acquisitions:</b>				
Assets acquired, excluding cash		482,891	278,895	
Liabilities assumed		(44,982)	(27,464)	
Deposits paid for acquisitions		11,684		
Contingent consideration issued in connection with acquisition		(6,120)		
Issuance of common stock in connection with acquisition			(44,025)	

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Issuance of replacement share-based awards in connection with acquisition

(1,02)

Cash paid for acquisitions, net of cash acquired

\$ 443,473

\$ 206,379

**SUPPLEMENTAL- # 2****OCTOBER 31****12:20pm**

AFFIDAVIT

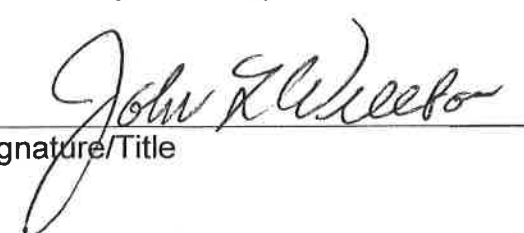
STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY:

CRESTWYN

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the lawful agent of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge.

  
Signature/Title

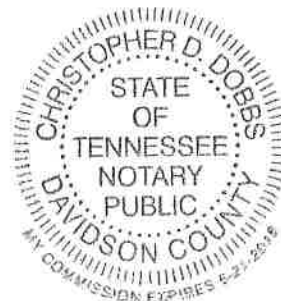
Sworn to and subscribed before me, a Notary Public, this the 31 day of Oct, 2013,  
witness my hand at office in the County of Davidson, State of Tennessee.

  
NOTARY PUBLIC

My commission expires 6-21, 2016.

HF-0043

Revised 7/02



# **COPY- SUPPLEMENTAL-3**

**Crestwyn Behavioral Health**

**CN1310-040**

NOV 27 14:20

November 27, 2013

Phillip M. Earhart, Health Planner III  
Tennessee Health Services and Development Agency  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37203

RE: CON Application CN 1310-040  
Crestwyn Behavioral Health

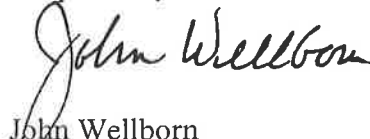
Dear Mr. Earhart:

This letter responds to your most recent request for supplemental information on this application.

Please see the attached executed Second Amendment to the Operating Agreement of Crestyn Health Group, LLC.

We hope this provides the information that Jim Christofferson and you requested from Brant Phillips, in order to accept the application into the December review cycle. If more is needed, please email or telephone me.

Respectfully,



John Wellborn  
Consultant

NOV 4 2013 2:26 PM

November 4, 2013

Phillip M. Earhart, Health Planner III  
Tennessee Health Services and Development Agency  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37203

RE: CON Application CN 1310-040  
Crestwyn Behavioral Health

Dear Mr. Earhart:

This letter transmits an amendment to the Operating Agreement that was submitted to you on October 31, in our second supplemental responses on this project.

It clarifies the parties' uninterrupted commitment to proceed with this application, by formally extending to Dec. 31, 2015 the date by which a CON must be obtained in order for the applicant LLC to continue in existence.

The identified potential for the Dec. 31, 2013 dissolution of the LLC prior to HSDA review in January has now been eliminated. With this clarification of intent, Baptist and Acadia are very hopeful that HSDA staff will accept this application into the November-January review cycle.

Respectfully,



John Wellborn  
Consultant

**FIRST AMENDMENT TO  
OPERATING AGREEMENT**

**OF**

**CRESTWYN HEALTH GROUP, LLC  
(a Tennessee Limited Liability Company)**

This FIRST AMENDMENT TO OPERATING AGREEMENT (hereafter referred to as the "Amendment") is entered into to be effective on October 31, 2013 (the "Effective Date"), by and among Crestwyn Health Group, LLC, a Tennessee limited liability company (the "Company"), and the Members to the Operating Agreement.

Section 8.6 of the Operating Agreement is amended to read as follows:

8.6. Dissolution Upon Failure to Obtain CON. Notwithstanding any other provisions of this Article 8, the Company and each of the Members hereby covenant and agree that if the Company is not issued the CON on or prior to December 31, 2015, then promptly after such date, the Company shall be dissolved and the assets of the Company shall be distributed to the Members as follows: (a) the Real Estate shall be distributed by the Company to the Class A Member in its "AS IS" condition free and clear of all encumbrances and (b) all other assets of the Company, including cash, shall be distributed to the Class B Member free and clear of all encumbrances. After dissolution of the Company, the Class A Member shall then terminate the existence of the Company as promptly as possible.

It is understood and agreed that in each and every respect the terms of the Operating Agreement, except as amended hereby, shall remain unchanged, and the same is hereby ratified, approved, and confirmed by the parties hereto.

IN WITNESS WHEREOF, the Company and the Members have executed this First Amendment as of the date first above written.

November 4, 2013

2:26pm

MANAGING MEMBER:

ACADIA MERGER SUB, LLC

By: C. L. Howard  
Name: CHRISTOPHER L. HOWARD  
Title: VP AND SECRETARY

CLASS A MEMBER:

BAPTIST MEMORIAL HEALTH  
SERVICES, INC.

By: Jason Little  
Name: JASON LITTLE  
Title: CEO / COO

COMPANY:

CRESTWYN HEALTH GROUP, LLC

By: C. L. Howard  
Name: CHRISTOPHER L. HOWARD  
Title: VP AND SECRETARY



AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSONNAME OF FACILITY: CRESTWYN BEHAVIORAL HEALTH

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

John Wellborn  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 4 day of November, 2013,  
witness my hand at office in the County of DAVIDSON, State of Tennessee.

[Signature]  
NOTARY PUBLIC

My commission expires 1-11, 17.

HF-0043

Revised 7/02



October 8, 2013



Alliance Healthcare Services

Melanie Hill, Executive Director  
Tennessee Health Services & Development Agency  
Frost Building, 3<sup>rd</sup> Floor  
161 Rosa Park Boulevard  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health  
Certificate of Need Application No. CN1312-XXX**

Dear Ms. Hill:

On behalf of Alliance Healthcare Services (AHS) dba SEMHC & CCN, please allow me to add our strong support for Crestwyn Behavioral Health's pending application for a certificate of need. This exciting and much needed project will benefit Memphis and the surrounding area greatly, and it deserves approval by your agency. Please give it every possible consideration.

AHS is a nonprofit organization that has served Shelby County for 35 years. We are the only county-wide mental health facility in West Tennessee, and we offer a full range of residential and outpatient services, including psychiatric services, alcohol and drug treatment services and family counseling services. Using our staff of psychiatrists, physicians, nurses, social workers, and other licensed professionals, Alliance Healthcare Services strives to meet the varied needs of our diverse community. Indeed, in addition to being one of the largest Medicare and TennCare providers in the region, AHS is the largest provider of mental healthcare services for children in Memphis.

The need for additional mental health resources is acute. In fact, in September 2013, the World Health Organization released data showing that only 50% of persons with mental health disorders receive any form of professional treatment and even fewer – only 10% - receive adequate care. This massive unmet need for treatment – the treatment gap – is the result of a combination of the stigma of mental health and mental health services, lack of accessibility and, when services are available, poor quality. Many people are reluctant to go for help owing to the fear associated with mental disorders and a lack of trust in the quality and effectiveness of treatment and care offered by mental health services. The impressive project being proposed by Crestwyn Behavioral Health will help to close this treatment gap by making high-quality residential mental health services more widely available in our community.

Again, we enthusiastically endorse Crestwyn Behavioral Health's application for a certificate of need. Please feel free to contact me with any questions or comments.

Sincerely,

Gene Lawrence  
Chief Executive Officer

2150 Whitney Avenue  
Memphis, TN 38127  
901.353.5440

2100 Whitney Avenue  
Memphis, TN 38127  
901.353.5440

2579 Douglas Avenue  
Memphis, TN 38114  
901.369.1480

3628 Summer Avenue  
Memphis, TN 38112  
901.369.1480

4088 Summer  
Memphis, TN 38122  
901.369.1480

LETTER OF INTENT -- HEALTH SERVICES & DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal, which is a newspaper of general circulation in Shelby County, Tennessee, on or before October 10, 2013, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Crestwyn Behavioral Health (a proposed psychiatric hospital), owned and managed by Crestwyn Health Group, LLC (a limited liability company), intends to file an application for a Certificate of Need to establish a psychiatric hospital in Germantown (Shelby County), at a capital cost estimated at \$26,900,000. The facility will be constructed within an unaddressed tract of land on the east side of Crestwyn Hills Drive, with a hospital entrance drive approximately 0.2 miles (less than a quarter of a mile) south of the intersection of Crestwyn Hills Drive with Winchester Road, Germantown TN 38138.

The facility will seek licensure as a 60-bed Mental Health Hospital, offering psychiatric care for adolescents (15 beds) and adults of all ages (30 beds), and adult chemical dependency care (15 beds) from the Department of Mental Health and Substance Abuse Services. When such licensure is granted, the applicant's affiliated facility in Shelby County, Delta Medical Center, will reduce its complement of licensed hospital beds by 60 beds. Another Shelby County hospital may join with Delta Medical Center to jointly delicense a combined total of 60 hospital beds. The project does not contain major medical equipment or initiate or discontinue any other health service.

The anticipated date of filing the application is on or before October 15, 2013. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 203, Suite 210, Nashville, TN 37215; (615) 665-2022.

*John L. Wellborn* 10-7-13

(Signature)

(Date)

jwdsg@comcast.net

(E-mail Address)

SunTrust Plaza  
401 Commerce Street  
Suite 800  
Nashville, TN 37219  
(615) 782-2200  
(615) 782-2371 Fax  
www.stites.com

February 11, 2014

Jerry W. Taylor  
(615) 782-2228  
(615) 742-0703 FAX  
jerry.taylor@stites.com

Melanie M. Hill  
Executive Director  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, Ninth Floor  
502 Deaderick Street  
Nashville, TN 37243

RE: Crestwyn Behavioral Health  
CN1310-040

Dear Ms. Hill:

Behavioral Healthcare Center at Memphis, Inc. ("BHC at Memphis") holds a CON for the establishment of a 16 bed mental health hospital to serve the geriatric psychiatric patient population, to be located in Memphis. On behalf of BHC at Memphis, this is to state its opposition to the certificate of need application of Crestwyn Behavioral Health, which seeks approval for a new mental health hospital with 60 psychiatric beds, 15 of which would be dedicated to the geriatric psychiatric patient population. The application does not satisfy the criterion of need, economic feasibility and contribution to the orderly development of health care facilities and services. Representatives of BHC at Memphis will be in attendance for the consideration of this application in order to state its opposition in more detail.

Sincerely yours,

STITES & HARBISON PLLC

  
Jerry W. Taylor

cc: John Wellborn  
jwdsg@comcast.net

Brant Phillips  
bphillips@bassberry.com

February 10, 2014

**VIA email and US Mail**

Ms. Melanie Hill  
Tennessee Health Services & Development Agency  
502 Deaderick Street, 9<sup>th</sup> Floor  
Nashville, Tennessee 37243

Re: Opposition to Crestwyn Behavioral Health (CN1310-040)

Dear Melanie:

On behalf of Lakeside Behavioral Health System (“Lakeside”) and Parkwood Behavioral Health System (“Parkwood”), we respectfully oppose the above-referenced request of Crestwyn Health Group, LLC for a certificate of need to establish Crestwyn Behavioral Health, a proposed psychiatric hospital in the Germantown area of Shelby County, Tennessee. We, along with other representatives of Lakeside and Parkwood, intend to be present at the Agency meeting on February 26, 2014, to further express our opposition, as we do not believe that the application meets the applicable requirements as to need, orderly development and other factors.

If you have any questions or need anything further, please do not hesitate to contact me.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS, LLP



Michael D. Brent

MDB/

CC: W. Brantley Phillips, Jr., Esq. (via email)  
John Wellborn (via email)

SECRET

Jerry W. Taylor  
(615) 782-2228  
(615) 742-0703 FAX  
jerry.taylor@stites.com

Melanie M. Hill  
Executive Director  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, Ninth Floor  
502 Deaderick Street  
Nashville, TN 37243

Dear Ms. Hill:

Sincerely yours,

STITES & HARBISON PLLC



Jerry W. Taylor

Mike Brent  
mbrent@babco.com

Alexandria, VA   Atlanta, GA   Frankfort, KY   Franklin, TN   Jeffersonville, IN   Lexington, KY   Louisville, KY   Nashville, TN

BAPTIST MEMORIAL HEALTH CARE CORPORATION

October 16, 2013

Melanie Hill  
Executive Director  
State of Tennessee – Health Services & Development Agency  
Frost Building, 3rd Floor  
161 Rosa L. Parks Blvd.  
Nashville TN 37243

**RE: Crestwyn Behavioral Health**

Dear Ms. Hill:

On behalf of Baptist Memorial Health Care Corporation (“BMHCC”), this letter will confirm our support for the above-referenced certificate of need application.

Comprehensive mental health services in Memphis are currently concentrated in the downtown medical district. If this project is approved, it will give southeastern Shelby County and the surrounding region a state-of-the-art comprehensive mental health facility serving both inpatient and outpatient adult (including geriatric) and adolescent psychiatric patients. The facility will offer adult chemical dependency services, as well.

BMHCC is confident in the success of the project as evidenced by our commitment to a minority ownership position. Our decision to participate was based on several factors:

First, there is a need for this project. According to the National Alliance on Mental Illness, nearly 60 million Americans experience a mental health condition every year. Regardless of race, age, religion or economic status, mental illness impacts the lives of at least one in four adults and one in 10 children across the United States. The growing prevalence of conditions, such as Autism Spectrum Disorder and Alzheimer’s, fuels an increasing demand for high-quality mental health services that can be accessed close by where patients live.

Second, with the financial backing of Acadia, BMHCC and potentially another Shelby County hospital, the project is financially sound. And, as demonstrated by the data contained in the project’s application, the project is expected to have robust patient volumes from its inception. With these patient volumes, there is little doubt that this project will be economically viable for the long-term.

Third, the project will contribute to the orderly development of healthcare in the service area. As a tertiary major medical facility that offers general, specialty and subspecialty care, BMHCC is committed to serve the Mid-South region. As BMHCC looks to the future, it believes that the community will be well served by enhanced access to behavioral health



services. BMHCC sees the Crestwyn Behavioral Health project as a way to create resources in this area in a collaborative, cost-effective manner.

We appreciate this opportunity to express support for the Crestwyn Behavioral Health project. We hope the Agency will take favorable action on the certificate of need application.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Gregory M. Duckett', with a long horizontal flourish extending to the right.

Gregory M. Duckett  
Sr VP / Corp Secretary



# CITY OF GERMANTOWN TENNESSEE

1930 South Germantown Road • Germantown, Tennessee 38138-2815  
Phone (901) 757-7200 Fax (901) 757-7292 [www.germantown-tn.gov](http://www.germantown-tn.gov)

2014 AUG 29

February 8, 2014

Melanie Hill, Executive Director  
State of Tennessee – Health Services & Development Agency  
Frost Building, Third Floor  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243

Regarding: CRESTWYN BEHAVIORAL HEALTH

Dear Ms. Hill:

It is a privilege, on behalf of the City of Germantown, to write in support of the certificate of need sought for Crestwyn Behavioral Health.

We are keenly aware of the growing demand for mental health care services, especially the prevalence of conditions associated with memory and the identification of young people with autism disorder. In many instances of mental health problems, the involvement of family in the treatment process is crucial for success; convenient access is a factor in their ability to engage and support. The same applies to care and treatment associated with drug and alcohol abuse, as well as mental illness emerging from other conditions.

Currently, mental health service providers in the Memphis area are concentrated in the medical district near downtown. In recent years, Germantown has welcomed the development of significant healthcare facilities in and around our own community in southeastern Shelby County. If approved, this project will provide this area, including highly underserved rural counties to the west and south of us, with a leading-edge comprehensive mental health facility serving inpatient and outpatient adult and adolescent psychiatric patients and adult chemical dependency services.

Thank you, in advance, for your thoughtful consideration of this application.

Sincerely,

A handwritten signature in blue ink that reads "Sharon Goldsworthy".

Sharon Goldsworthy  
Mayor



April 7, 2014

Melanie Hill  
Executive Director  
Tennessee Health Services & Development Agency  
Andrew Jackson Building, 9th Floor  
502 Deaderick Street  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health (CN1310-040)**

Dear Ms. Hill:

On behalf of Delta Medical Center ("DMC"), I am writing in regard to the certificate of need application that has been filed by Crestwyn Behavioral Health ("Crestwyn").

As indicated in the Crestwyn project application, assuming the participation of third hospital partner, DMC has committed to de-license 20 of its existing psychiatric beds in favor of the Crestwyn project upon its implementation. I am pleased to report that participation in the project by a third hospital partner – St. Francis Hospital – has been confirmed, and I understand that the leadership at St. Francis will be sending a separate letter to that effect. Accordingly, upon implementation of the 60-bed Crestwyn project, DMC and St. Francis will de-license 20 and 40 existing psychiatric beds, respectively, in favor of Crestwyn. This structure ensures that the Crestwyn project will be implemented without adding any new psychiatric beds to the proposed service area. In fact, even with the approval of the Crestwyn project, the proposed service area will have *five (5) fewer* inpatient psychiatric beds than it did in 2012, when Community Behavioral Health and Memphis Mental Health Institute closed a total of 65 beds. Considering the need for more inpatient mental health resources that are available to treat all patients – including involuntary admissions and TennCare patients – the Crestwyn project represents a unique opportunity to improve access to care without duplication.

DMC strongly supports the Crestwyn project, and I urge the Agency to approve the project at its April 23rd meeting. Thank you for your attention in this matter. Please do not hesitate to contact me with any questions or if you require additional information.

Sincerely,

Bill Patterson  
Chief Executive Officer



STATE OF TENNESSEE  
DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES  
MEMPHIS MENTAL HEALTH INSTITUTE  
951 Court Avenue  
MEMPHIS, TENNESSEE 38103-2813  
Telephone (901) 577-1800 • Fax (901) 577-1434

10/3/2013

Melanie Hill  
Executive Director  
Tennessee Health Services & Development Agency  
Frost Building, 3rd Floor  
161 Rosa Park Blvd.  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health**

Dear Ms. Hill:

On behalf of the physicians and staff of Memphis Mental Health Institute ("MMHI"), I want to express our strong support for the certificate of need application referenced above.

MMHI is one of four state-owned and operated acute psychiatric hospitals in Tennessee and serves the Memphis and Shelby County community. Patients treated at MMHI are adults who often have chronic mental illnesses and virtually all of them are referred to MMHI on an involuntary basis because they are at risk of harm to themselves or others. Other MMHI patients are referred from the court for a pre-trial evaluation. MMHI provides individualized treatment planning for all of these patients and psychosocial rehabilitation designed to assist them in acquiring new skills for recovery and a better transition back into the community.

MMHI's mission is to provide in-patient adult psychiatric care primarily for individuals without insurance and without any other means of accessing needed services. We are pleased to support our community partners, such as Delta Medical Center and Crestwyn Behavioral Health and rely on them as a resource to serve individuals with insurance. MMHI is licensed to operate 111 beds, but the current staffed/operating capacity is 55. The addition of the Crestwyn Behavioral Health project to our service area will enhance and fulfill a need for high quality in-patient options in the Memphis-Shelby County community especially related to children and youth since there are high demands for those services.

MMHI, therefore, is pleased to give its full support to Crestwyn's certificate of need application, and I hope you will give it your favorable consideration. Please do not hesitate to contact me with any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lisa A. Daniel".

Lisa A. Daniel  
Chief Executive Officer



**PROFESSIONAL CARE SERVICES**  
of West TN, Inc.  
1997 Hwy. 51 S., Covington, TN 38019  
(901) 476-8967

October 4, 2013

Melanie Hill  
Executive Director  
Tennessee Health Services & Development Agency  
Frost Building, 3rd Floor  
161 Rosa Park Blvd.  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health  
Certificate of Need Application No. CN1312-XXX**

Dear Ms. Hill:

On behalf of Professional Care Services ("PCS"), please allow me to add our strong support for Crestwyn Behavioral Health's pending application for a certificate of need. This exciting and much needed project will benefit Memphis and the surrounding area greatly, and it deserves approval by your agency. Please give it every possible consideration.

PCS is a nonprofit organization that has served the west Tennessee region for 33 years. We offer a full range of group home and out-patient services, including psychiatric services, alcohol and drug treatment services and family counseling services. We are one of the major crisis referral agencies in the state. Using our staff of psychiatrists, physicians, nurses, social workers, and counselors, PCS strives to meet the varied needs of our diverse community. Indeed, in addition to being one of the largest Medicare and TennCare providers in the region, PCS is a significant provider of mental healthcare services for children in west Tennessee.

The need for additional mental health resources is acute. In fact, in September 2013, the World Health Organization released data showing that only 50% of persons with mental health disorders receive any form of professional treatment and even fewer – only 10% – receive adequate care. This massive unmet need for treatment – the treatment gap – is the result of a combination of the stigma of mental health and mental health services, lack of accessibility and, when services are available, poor quality. Many people are reluctant to go for help owing to the fear associated with mental disorders and a lack of trust in the quality and effectiveness of treatment and care offered by mental health services. The impressive project being proposed by Crestwyn Behavioral Health will help to close this treatment gap by making high-quality residential mental health services more widely available in our community.

**HELPING HANDS IN OUR COMMUNITY**



Again, we enthusiastically endorse Crestwyn Behavioral Health's application for a certificate of need. Please feel free to contact me with any questions or comments.

Sincerely,

A handwritten signature in blue ink that reads "Becky Hendrix". The signature is written in a cursive, flowing style.

Becky Hendrix  
Executive Director

12403700.1

**QUINCO**  
Mental Health Centers  
*Real Help. Real Close.*

October 3, 2013

Melanie Hill  
Executive Director  
Tennessee Health Services & Development Agency  
Frost Building, 3rd Floor  
161 Rosa Park Blvd.  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health  
Certificate of Need Application No. CN1312-XXX**

Dear Ms. Hill:

On behalf of QUINCO Mental Health Center (QMHC), please allow me to add our strong support for Crestwyn Behavioral Health's pending application for a certificate of need. This exciting and much needed project will benefit Memphis and the surrounding area greatly, and it deserves strong consideration for approval by your agency. I trust and depend that you and others in your department will give careful, intuitive thought regarding the far reaching importance of this worthy project.

QUINCO is a nonprofit organization that has served the west Tennessee region for almost forty (40) years. We offer a full range of group home and out-patient services, including psychiatric services, alcohol and drug treatment services, group home services, and family counseling services. We are one of the major crisis referral agencies in the state. Using our staff of psychiatrists, psychologists, physicians, advance nurse practitioners, social workers, and Licensed Professional Counselors, QMHC personnel strive to meet the varied needs of our diverse community. Indeed, in addition to being one of the largest Medicare and TennCare providers in the region, QMHC is a significant provider of mental healthcare services for the children and adolescent population in west Tennessee.

The need for additional mental health resources is acute. In fact, in September 2013, the World Health Organization released data showing that only 50% of persons with mental health disorders receive any form of professional treatment.

This massive unmet need for treatment – the treatment gap – is the result of a combination of the stigma associated with mental health care, lack of accessibility, insufficient availability of integrative care, insufficient coverage for substance abuse/dependence treatment opportunities, and a shortage of Medicare qualified providers.

Many people are reluctant to seek help because of fear and misunderstanding about the treatment of mental disorders. These tendencies coupled with the lack of treatment providers and quality inpatient facilities leave a significant number of citizens in mental distress.

The impressive and forward thinking project proposed by Crestwyn Behavioral Health will help to close this treatment gap by making high-quality residential mental health services more widely available in our community.

Again, I enthusiastically endorse Crestwyn Behavioral Health's application for a certificate of need. Please feel free to contact me with any questions or comments.

Sincerely,

A handwritten signature in black ink that reads "Darvis Gallaher". The signature is fluid and cursive, with the first name "Darvis" and last name "Gallaher" clearly legible.

Darvis Gallaher, Ph.D.  
CEO/Executive Director  
Licensed Psychologist/HSP

12403700.1



Mark White

State Representative  
83rd Legislative District

110 War Memorial Building  
Nashville, TN 37243

(615) 741-4415

Toll Free: 1-800-449-8366 ext. 44513

Rep.Mark.White@capitol.tn.gov



## House of Representatives State of Tennessee

NASHVILLE

District Office  
P.O. Box 17409  
Memphis, TN 38187-0409

### COMMITTEES:

Fiscal Review  
Vice Chairman

House Rules Committee

Education  
Chairman- Education Sub

Consumer and Human Resources

January 24, 2014

Melanie Hill  
Executive Director  
Tennessee Health Services & Development Agency  
Andrew Jackson Bldg., 9th Floor  
502 Deaderick Street  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health  
Certificate of Need Application No. CN1310-040**

Dear Ms. Hill:

I am writing to express my strong support for Crestwyn Behavioral Health's pending application for a certificate of need. I represent the State House district in which this project will be located, and I am convinced that it is needed and will greatly benefit Germantown, Collierville and the surrounding area. I hope that the HSDA will approve this project at its first opportunity.

Policymakers and public health advocates have recognized that there is a growing need for improved access to quality mental healthcare options. Indeed, last December, Republican members of Congress introduced the "Helping Families in Mental Health Crisis Act of 2013." This 135-page bill was the result of year-long investigation by the U.S. House Energy & Commerce Oversight subcommittee of the nation's mental health system following the tragedy in Newtown, Connecticut. Among other things, this important legislation will increase funding for mental health research. It would also would expand Medicaid reimbursement for adult acute psychiatric services. There also is a need to make these services available near to where patients live.

The Crestwyn Behavioral Health project will enhance the ability of adult, geriatric adult, and child and adolescent psychiatric patients to access inpatient acute care, partial hospitalization and outpatient care for their mental health needs. The facility will also provide adult chemical dependency services. Most important, it will make these services available in a rapidly growing area in our community and, thereby, allow many patients to receive their care closer to home. And, through its partnership with Baptist Hospital,



the Crestwyn Behavioral Health project will accomplish that important goal in a collaborative and cost-effective manner.

Again, I enthusiastically endorse Crestwyn Behavioral Health's application for a certificate of need, and I urge your Agency to approve it. Please feel free to contact me with any questions or comments.

Sincerely,

A handwritten signature in black ink, which appears to read "Mark D. White". The signature is written in a cursive style with a large, looping initial "M".

**Brian Kelsey**  
State Senator  
Judiciary Committee Chairman  
District 31: Cordova,  
East Memphis, and Germantown

## Senate Chamber State of Tennessee

7 Legislative Plaza  
Nashville, TN 37243-0231  
1-800-449-8366 ext. 13036  
(615) 741-3036  
fax (615) 253-0266  
[sen.brian.kelsey@capitol.tn.gov](mailto:sen.brian.kelsey@capitol.tn.gov)  
[www.briankelsey.org](http://www.briankelsey.org)

January 8, 2014

Melanie Hill  
Executive Director  
Tennessee Health Services & Development Agency  
Andrew Jackson Bldg., 9th Floor  
500 Deaderick Street  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health  
Certificate of Need Application No. CN1310-040**


Dear Ms. Hill:

I am writing to add my strong support for Crestwyn Behavioral Health's pending application for a certificate of need. This excellent project is very deserving of approval, and I sincerely hope that the Agency will give it every consideration. This much-needed and financially sound project will greatly assist with the orderly development of mental health services in Collierville, Germantown and West Tennessee.

The Crestwyn Behavioral Health project will enhance the ability of adult, geriatric adult, and child and adolescent psychiatric patients to access inpatient acute care, partial hospitalization and outpatient care for their mental health needs. The facility will also provide adult chemical dependency services. Most important, it will make these services available in a rapidly growing area in our community and, thereby, allow many patients to receive their care closer to home. The project also will support the mission of the state Mental Health Institutes in Memphis and Bolivar.

Again, I support the Crestwyn Behavioral Health project, which promises to be an important resource for the many patients in the West Tennessee region who struggle with mental health challenges and/or chemical dependency. I want to encourage the HSDA to approve this project. Please do not hesitate to contact me with any questions or comments.

Sincerely,



Brian Kelsey

**CURRY TODD**  
STATE REPRESENTATIVE  
95<sup>th</sup> LEGISLATIVE DISTRICT  
MEMBER OF COMMITTEES

BUSINESS AND UTILITIES

SUB -OF BUSINESS AND  
UTILITES

STATE GOVERNMENT



JAN 6 '14 AM 9:49

LEGISLATIVE ADDRESS:  
209 WAR MEMORIAL BLDG.  
NASHVILLE, TENNESSEE 37243  
PHONE: (615) 741-1866  
FAX: (615) 253-0208

HOME ADDRESS:  
170 LEGACY FARM PLACE APT. 102  
COLLIERVILLE, TENNESSEE 38017  
(901) 387-9305

E-Mail Address:  
rep.curry.todd@capitol.tn.gov

# House of Representatives State of Tennessee

January 2, 2014

NASHVILLE

Melanie Hill, Executive Director  
Tennessee Health Services & Development Agency  
Andrew Jackson Bldg., 9th Floor  
502 Deaderick Street  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health  
Certificate of Need Application No. CN1310-040**

Dear Ms. Hill:

Please allow me to add my strong support for Crestwyn Behavioral Health's pending application for a certificate of need. This exciting and much needed project will benefit Collierville and the surrounding area greatly, and it deserves approval by your Agency. Please give it every possible consideration.

This project is being spearheaded by Acadia Healthcare, one of the leading providers of behavioral health and psychiatric services in the United States. Under the leadership of a senior management team that has more than 130 years of combined experience in the field of behavioral health, Acadia has a proven track record of success in partnering with physicians and hospital systems to develop innovative facilities and services focused on excellent patient care. In addition to an investment of more than \$25 million, as well as the new jobs that will come with it, the Crestwyn Behavioral Health project will make high-quality residential mental health services more widely available in our community. The project also will support the mission of the state Mental Health Institutes in Memphis and Bolivar.

Again, I enthusiastically endorse Crestwyn Behavioral Health's application for a certificate of need, and I urge your Agency to approve it. Please feel free to contact me with any questions or comments.

Sincerely,

A handwritten signature in cursive script, appearing to read "Curry", is written over a horizontal line.

Curry Todd  
State Representative, 95<sup>th</sup> District

**REGINALD TATE**  
**STATE SENATOR**  
33<sup>RD</sup> SENATORIAL DISTRICT  
**MEMBER OF COMMITTEES:**  
**VICE CHAIR**  
EDUCATION  
COMMERCE



**Senate Chamber**  
**State of Tennessee**  
**NASHVILLE**

**STATE & LOCAL GOVERNMENT**  
**FISCAL REVIEW**  
**SELECT OVERSIGHT COMMITTEE**  
**ON BUSINESS TAXES**  
**SELECT COMMITTEE ON TENNESSEE**  
**EDUCATION LOTTERY CORPORATION**  
**COVER TENNESSEE ADVISORY COMMITTEE**

6 February 2014

Melanie Hill  
Executive Director  
Tennessee Health Services & Development Agency  
Andrew Jackson Bldg., 9th Floor  
502 Deaderick Street  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health**  
**Certificate of Need Application No. CN1310-040**

Dear Ms. Hill:

I want to share with you my support for Crestwyn Behavioral Health's request for a certificate of need. I sincerely hope that the Agency will approve this beneficial project. It is much-needed and will contribute to the orderly development of mental health services in southeast Shelby County and the surrounding area.

There is a need for additional high-quality mental health facilities in the Memphis area. Research indicates that about 46% of the population will experience a mental health disorder. Indeed, regardless of income, race or ethnicity, almost all families are touched by a mental health crisis at one time or another due to the rising prevalence of chronic conditions like Alzheimer's disease. As a result, in January 2013, the Tennessee Medical Association and other health organizations urged Congress and the White House to strengthen access to mental health services, including screening, prevention and treatment.

The Crestwyn Behavioral Health project will enhance the ability of a wide variety of patients – including adolescent and elderly patients – to have access to acute inpatient care for their mental health needs. The facility will also provide adult chemical dependency services. Most important, it will make these services available in a rapidly growing area in our community and, thereby, allow many patients to receive their treatment nearer to where they live.

In addition to being much needed, it also is clear that this project will contribute to the orderly development of healthcare. The project is a collaborative effort among multiple



providers who are putting their combined resources to work in a new joint venture. This cooperative approach is cost-effective and sets a positive example for future projects in West Tennessee.

Again, I enthusiastically support the Crestwyn Behavioral Health project, which promises to be an important resource for the many patients in the West Tennessee region who struggle with mental health challenges and/or chemical dependency. I want to encourage the HSDA to approve this project. Please do not hesitate to contact me with any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Reginald Tate", is positioned below the word "Sincerely,".

Senator Reginald Tate  
State Senate District 33





5959 Park Avenue  
Memphis, TN 38119-5198  
Tel 901.765.1000  
www.saintfrancishosp.com

Melanie Hill  
Executive Director  
Tennessee Health Services & Development Agency  
Andrew Jackson Building, 9th Floor  
502 Deaderick Street  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health (CN1310-040)**

Dear Ms. Hill:

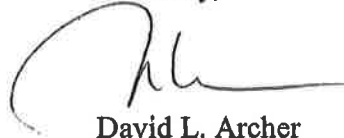
On behalf of Saint Francis Hospital – Memphis (“SFH”), I am writing in connection with the certificate of need application that has been submitted by Crestwyn Behavioral Health (“Crestwyn”). The Crestwyn project represents a new and cooperative approach to behavioral healthcare in our community. SFH has committed to participate in this important project, and I hope the Agency will approve Crestwyn’s application and allow this project to proceed.

The Crestwyn project is a wonderful example of teamwork in action. The project will be a three-way joint venture between SFH, Baptist Memorial Health Care Corporation and Acadia Healthcare – a proven leader in behavioral healthcare services. SFH has signed a formal letter of intent to become a partner and minority owner in the Crestwyn project. And, if the project is approved, SFH will de-license forty (40) of the psychiatric beds now located at its main campus in favor of Crestwyn. This new partnership will enable SFH both to make better use of its existing inpatient psychiatric resources and to provide many of its patients with comprehensive psychiatric services in a new freestanding facility that would be impractical and cost-prohibitive for SFH to build on its own. This is the essence of orderly development – namely, improved access to care through collaboration and without duplication.

Since 1974, SFH has been a leading medical center for Memphis and the Mid-South. SFH was the first full-service hospital in the rapidly growing East Memphis area, and, over the years, “first” has become a much-used word in describing SFH. For example, we were the first to establish a Chest Pain Emergency Center dedicated solely to the quick intervention, diagnosis and treatment of heart-related problems. Crestwyn will be another “first” in our history, and we are certain this project will advance the quality of patient care and customer service in our community and beyond.

Again, we at SFH are enthusiastic participants in the Crestwyn project, which promises to be an important resource for the many patients in the West Tennessee region who struggle with mental health challenges and/or chemical dependency. We urge the HSDA to approve this project. Please do not hesitate to contact us with any questions or comments.

Sincerely,

A handwritten signature in dark ink, appearing to read 'DL Archer', with a large, sweeping initial 'D'.

David L. Archer  
Chief Executive Officer





2013 OCT 11 AM 9:43

STATE OF TENNESSEE  
DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES  
WESTERN MENTAL HEALTH INSTITUTE  
11100 OLD HIGHWAY 64 WEST  
BOLIVAR, TN 38008  
(731)-228-2000

ROGER P. PURSLEY  
CHIEF EXECUTIVE OFFICER

RONALD BRUCE  
ADMINISTRATOR

October 11, 2013

Melanie Hill, Executive Director  
Tennessee Health Services & Development Agency  
Frost Building, 3rd Floor  
161 Rosa Park Blvd.  
Nashville, TN 37243

RE: Crestwyn Behavioral Health

Dear Ms. Hill:

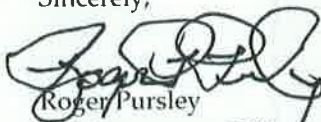
On behalf of the physicians and staff of Western Mental Health Institute ("WMHI"), I want to express our strong support for the certificate of need application referenced above.

WMHI is one of four state-owned and operated acute psychiatric hospitals in Tennessee. Located in Bolivar, WMHI serves adult patients in a 24-county area that includes the following counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Gibson, Fayette, Hardeman, Hardin, Haywood, Henderson, Henry, Lake, Lauderdale, Lawrence, Lewis, Madison, McNairy, Obion, Perry, Tipton Wayne and Weakley. As is true at the state's other mental health institutes, most of the patients referred to WMHI have acute mental illnesses or substance abuse problems that put them at risk for causing harm to themselves or others, and admissions mainly occur on an emergency involuntary basis. For many of the communities in WMHI's large service area, we offer the only in-patient psychiatric treatment option available.

The addition of the Crestwyn Behavioral Health project is much needed in our area of the state. Indeed, the demand for high-quality mental health services always exceeds the supply. The Crestwyn Behavioral Health project will improve access to high-quality mental health treatment options. And, working in close collaboration with its corporate affiliate – Delta Medical Center – the project will make it possible to treat patients who require medical or surgical care, as well. This sort of collaboration should be encouraged, and it contributes to the orderly development of healthcare in West Tennessee.

For all of these reasons, WMHI is proud to lend its enthusiastic support to the Crestwyn Behavioral Health project. Please do not hesitate to let me know if there is anything more that we can do in support of this innovative initiative.

Sincerely,

  
Roger Pursley  
Chief Executive Officer

RPP/ccm